Lee Valley
Regional Park Authority

Lee Valley Regional Park Authority
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To:	Paul Osborn (Chairman)	Chris Kennedy
	David Andrews (Vice Chairman)	Heather Johnson
	Susan Barker	Graham McAndrew
	Ross Houston	Mary Sartin

A meeting of the **EXECUTIVE COMMITTEE** (Quorum – 4) will be held at Myddelton House on:

THURSDAY, 19 JANUARY 2023 AT 10:30

at which the following business will be transacted:

AGENDA

Part I

1 To receive apologies for absence.

2 DECLARATION OF INTERESTS

Members are asked to consider whether or not they have disclosable pecuniary, other pecuniary or non-pecuniary interests in any item on this Agenda. Other pecuniary and non-pecuniary interests are a matter of judgement for each Member. (Declarations may also be made during the meeting if necessary.)

3 MINUTES OF LAST MEETING

To approve the Minutes of the meeting held on 15 December 2022 (copy herewith).

4 PUBLIC SPEAKING

To receive any representations from members of the public or representative of an organisation on an issue which is on the agenda of the meeting. Subject to the Chairman's discretion a total of 20 minutes will be allowed for public speaking and the presentation of petitions at each meeting.

5 2023/24 REVENUE BUDGET AND LEVY — Paper E/795/23

Presented by Shaun Dawson, Chief Executive, and Keith Kellard, Head of Finance

6 PROPOSED CAPITAL PROGRAMME 2022/23 (REVISED) TO 2026/27 — Paper E/793/23

Presented by Keith Kellard, Head of Finance

7 CAPITAL STRATEGY 2022/23 TO 2026/27 — Paper E/794/23

Presented by Keith Kellard, Head of Finance

8 PROPOSED CAPITAL INVESTMENT AT LEE VALLEY ATHLETICS CENTRE AND LEE VALLEY RIDING CENTRE — Paper E/796/23

Presented by Dan Buck, Corporate Director

9 Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

10 Consider passing a resolution based on the principles of Section 100A(4) of the Local Government Act 1972, excluding the public and press from the meeting for the items of business listed on Part II of the Agenda, on the grounds that they involve the likely disclosure of exempt information as defined in those sections of Part I of Schedule 12A of the Act specified beneath each item.

AGENDA
Part II
(Exempt Items)

11 FINANCIAL IMPLICATIONS OF PROPOSED CAPITAL INVESTMENT AT LEE VALLEY ATHLETICS CENTRE AND LEE VALLEY RIDING CENTRE — Paper E/797/23

Presented by Dan Buck, Corporate Director

Not for publication following the principles of the Local Government Act 1972, Schedule 12A, Part I, Section 3

12 Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency by reason of special circumstances to warrant consideration.

11 January 2023

Shaun Dawson
Chief Executive

LEE VALLEY REGIONAL PARK AUTHORITY

EXECUTIVE COMMITTEE
15 DECEMBER 2022

Members Present:	David Andrews (Vice Chairman)	Heather Johnson (remote)
	Susan Barker	Graham McAndrew
	Ross Houston (remote)	Mary Sartin (remote)

Apologies Received From: Paul Osborn, Chris Kennedy

In Attendance: John Bevan, David Gardner, Suzanne Rutland-Barsby

Officers Present:	Shaun Dawson	- Chief Executive
	Beryl Foster	- Deputy Chief Executive (remote)
	Dan Buck	- Corporate Director
	Jon Carney	- Corporate Director
	Keith Kellard	- Head of Finance
	Michael Sterry	- Senior Accountant
	Sandra Bertschin	- Committee & Members' Services Manager
	Lindsey Johnson	- Committee & Members' Services Officer

Also present: James Newman – S151 Officer (London Borough of Enfield)

Part I

In the absence of the Chairman the meeting was chaired by the Vice Chairman.

210 DECLARATIONS OF INTEREST

There were no declarations of interest.

211 MINUTES OF LAST MEETING

THAT the minutes of the meeting held on 17 November 2022 be approved and signed.

212 PUBLIC SPEAKING

No requests from the public to speak or present petitions had been received for this meeting.

213 FEES & CHARGES REVIEW 2023/24 Paper E/791/22

The report was introduced by the Corporate Director.

In response to Member questions it was advised:
- enforcement of the commercial dog walker licence scheme was allocated to the open spaces team;
- car parks were unlocked in a systematic way to deter use by commuters and to enable use by visitors to the Park;
- the car park permit scheme provided a positive alternative payment process for some customers;

- the Learning & Engagement programme has been diversified to engage with a wider range of ages, more hard to reach community groups and SEN clients;
- demand remained strong for the Authority's outdoor learning and wellbeing sessions;
- a robust community programme linked to the redeveloped Lee Valley Ice Centre would be rolled out next year;
- the redeveloped Lee Valley Ice Centre would benefit outdoor learning on the marshes as it provided a covered area and toilets;
- impact of the cost of living crisis and the new fees and charges will be monitored and if required special offers could be introduced.

The Vice Chairman commended the Learning & Engagement programme in that it was key in building a visitor base for the future.

(1) the Authority's proposed 2023/24 fees and charges as summarised from paragraph 7 and set out in detail in Appendix A to Paper E/791/22 was approved.

214 PENSION CONTRIBUTION RATE 2023 Paper E/792/22

The report was introduced by the Head of Finance.

Members expressed concern about the effect current high inflation and potential recession might have on future pension fund funding levels. In response it was advised that the reduced employer contribution rate had been proposed as an outcome of the actuarial valuation on overall fund liquidity.

A Member suggested that advance paying annual pension contributions in a lump sum could enable a reduced level of contribution.

(1) the employer contribution rate of 13.8% as set out in paragraph 5 and in the valuation report at Appendix A to Paper E/792/22 was approved; and

(2) the valuation report at Appendix A to Paper E/792/22 was noted.

Chairman

Date

The meeting started at 11.07am and ended at 11.37am

Lee Valley Regional Park Authority LEE VALLEY REGIONAL PARK AUTHORITY EXECUTIVE COMMITTEE 19 JANUARY 2023 AT 10:30	Agenda Item No: 5 Report No: E/795/23

2023/24 REVENUE BUDGET AND LEVY

Presented by Chief Executive and Head of Finance

EXECUTIVE SUMMARY

The context for setting the 2023/24 budget is responding to the energy price increases (electricity 150% and gas 450%) and general inflation of over 11% which have hit the Authority as it continues its recovery from the impact of the Covid-19 pandemic. The Authority's overall cash reserves have been depleted by circa £5million over the past three years. In the short term the focus needs to be on addressing the significant budget costs increase in 2023/24 of £2.6mill (27% of the current net budget) of which £1.6mill is down to energy price increases.

The Authority is going through an exciting period with the planning and delivery of a range of business development/investment projects in the medium term, 2 to 4 years. It is expected that these projects will both enhance the Park and deliver additional income streams.

The current levy for 2022/23 is **£9.767million** (which is 35.3% of the maximum chargeable). This equated to £0.81p per person in Herts, Essex and London.

The Authority is required to set a budget and levy for 2023/24 by 24 January 2023 and notify contributing authorities by 15 February 2023.

This paper sets out a budget and levy proposal to support delivery of the Authority's ambitions and objectives over the coming years as part of the new Business Plan (2022-2027).

Appendices attached detail the Medium Term Financial Forecast (Appendix A), Earmarked Reserves balances (Appendix B), Levy change options (Appendix C), and an indication of a 1% change to each contributing authority's levy (Appendix D).

RECOMMENDATIONS

Members Recommend to Authority	(1)	a proposed levy for 2023/24; and
	(2)	review the medium term general reserves policy to allow a short term movement in the minimum level of reserves to below £3m.

BACKGROUND

1 **Business Strategy**
The Authority is continuing to be "community focused and commercially driven" as it works to deliver this vision. It continues to increase value and to enhance the visitor offer for constituent boroughs, whilst reducing the cost of the Lee Valley Regional Park to the taxpayer.

2 As set out in the Authority's current Business Plan the aspiration is:
- to become a world class leisure destination;
- to establish a strong commercial base;
- to increase regional relevance and value; and
- to have an enhanced reputation and stronger political position.

3 **Levy Strategy**
Over the last ten years Members have approved a continuous reduction in the levy as a part of a strategy to become more commercial and to generate resources from existing assets and so reduce the financial burden on the regional tax payer. **The 16.9% reduction in levy represents a real term reduction of 56.0%.**

Year	Levy Movement	Cash Reduction	Real Term Reduction	Levy as a proportion of the Maximum Chargeable
	%	**£000s**	**£000s**	**%**
2012/13	- 2%	-£240	£0	55.1%
2013/14	- 2%	-£235	-£546	52.6%
2014/15	- 2%	-£230	-£1,157	49.9%
2015/16	- 2%	-£226	-£1,664	47.9%
2016/17	- 2%	-£221	-£1,984	46.6%
2017/18	- 6%	-£650	-£2,896	42.9%
2018/19	- 6%	-£611	-£4,011	38.8%
2019/20	0%	£0	-£4,455	37.6%
2020/21	0%	£0	-£4,796	36.7%
2021/22	+ 2%	+£192	-£4,767	**37.0%**
2022/23	0%	£0	-£5,473	**35.3%**

4 **Funding Strategy**
The Authority has focused on the following areas to reduce its reliance on the levy:

- implementing the retendered Leisure Service Contract (LSC) for the six sporting venues;
- investing in and developing the non-sporting venues and open spaces;
- investing in new business development, e.g. Ice Centre; and
- developing new opportunities e.g. Picketts Lock site, Broxbourne Riverside and Eton Manor.

5 The LSC with GLL commenced on 1 April 2022 and will contribute to removing the financial risk of exposure to changes in both expenditure and income at the Sports Venues in the long term

DEMANDS ON THE AUTHORITY

6 The demands on the organisation over the next few years are significant:

- responding to the major financial impact caused by the huge increase in energy prices and wider inflationary pressures;
- rebuilding the Authority's revenue and capital reserves;
- creating resilience against potential impact from future similar events;
- successfully ensuring the continued operation and enhancement of the non-sporting venues transferred back to the Authority;
- generating additional income through a range of investment projects across the Venues and across the Park;
- enhancing the Regional Park as a visitor destination through a number of new developments; and marketing the Park to a regional audience and delivering greater value to the communities of London, Essex and Herts.

AUTHORITY'S CURRENT FINANCIAL POSITION

7 The Authority enters the coming financial year with a cautious financial approach. Current projections are for a small deficit in the current year, which will take our general reserves down to £2.8mill.

8 The Medium Term Financial Forecast (MTFF) has been updated to assist the budget and levy setting process. It provides a snapshot in time as it is difficult to predict with any level of certainty beyond the next financial year. The figures beyond 2023/24 should only be used as a guide to determine the general direction of travel. Assumptions made, that have been incorporated into the MTFF, are listed below.

9 The key risk areas in relation to the MTFF as set out below.

- **Inflation** – current CPI inflation is 10.7%, and RPI 14.0% as at November 2022. Whilst there is expectation that inflation will start to fall by Q2 2023, it is uncertain as to how much, and it is likely to remain at a level significantly above the Bank of England's position of 2% well into 2024.

- The MTFF includes an assumption around employee pay rise of 4% for 2023/24. The national pay review for 2022/23 added £1,925 to every scale point, and represented an average pay rise for Authority employees of 4.99%. An increase of 1% will add approximately £82,000 to the budget. The Authority follows the pay terms of the National Joint Council (NJC) for local government services and is unable to determine its own pay increases for the majority of its employees. Only senior managers, officers above point 44 on the NJC scale, are set at a local level.

- **Energy costs** - our two year fixed cost agreement with Laser (public bodies energy procurement consortium) ended in October 2022, and like all organisations we have seen exceptional increases in the price of electricity (+150%) and gas (+450%). Laser have secured medium term prices on purchase of energy which have allowed them to guarantee fixed prices for electricity and gas until October 2023, at levels at or below the Government's current Energy Bill Relief Scheme to March

2023, and the Energy Bills Discount Scheme (EBDS) that replaces this for a year from April 2023.. This has reduced our exposure to price increases until the second half of 2023. The Authority has supported GLL in obtaining the same basket prices as us, which are fixed on the same tariff terms as we are, again reducing their exposure to increases. We have costed the expected energy tariff increase from October 2023 at an estimated price that takes into account Laser's forecast for that time. We are now waiting for Laser to provide an assessment of the impact of the new EBDS on tariffs from October 23.

- **Income** - the present economic climate will be a challenge to income budgets, and we may see some reduction over the next year. Whilst our risk exposure to income falls is significantly reduced with GLL running the major sporting venues, a 5% fall will still see a reduction in income of around £350,000.

- **Management Fee for the Leisure Services Contract** - currently the base fee set for 2023/24 is £560,000. However, the contract does require us to review and amend for energy costs and consumption, six months before the end of year two, and the increase in prices will make a significant difference. We have costed based on GLL, and our, assumptions and this is included in the MTFF. In addition, the delay to the opening of the new Ice Centre will change the budget and require an amendment to the Management Fee. This is currently costed at £500,000, a one off cost with half falling in each of the current, and next, financial years.

10 **Table 1: Draft 2023/24 Budget Summary**

	2022/23 £000s	2023/24 £000s
Base Budget Authority	7,334	7,601
Base Budget Borrowing Costs	0	1,467
Base Budget LSC Management Fee	2,261	560
LSC Contingency	310	210
Levy	(9,768)	(9,768)
Total Base Budget	137	**70**
Outturn Against Budget 2022/23	63	0
Increased Costs (£1.6mill energy costs)	0	2,528
Deficit/(Surplus) before savings	**200**	**2,598**

Appendix A sets out the Medium Term Financial Forecast, along with detailed changes to the base budget.

11 The MTFF currently shows that without any further mitigation and assuming no increase in the levy, the budget for 2023/24 would be a £2.6million deficit.

INCOME AND SAVINGS - £1.9 Mill

12 In order to offset these increased costs of £2.6mill, officers have identified £1.9mill of savings, efficiencies, and additional income from the base budget. Some of these will be ongoing savings, and some are identified as single year

mitigating actions. A summary is shown below.

13
- **Reduction to insurance premiums (£125,000)** – the Authority base budget included the cost of insuring the contents and operations of the LSC venues. With the transfer to GLL, they are now responsible for this insurance, so this will provide an ongoing saving. The Authority, however, will continue to arrange Material Damage insurance for the buildings themselves.

- **Additional Income/Fees & Charges (£390,000)** – the base budget included fees and charges growth of £130,000. The increase to Fees & Charges (paper presented to Members earlier) anticipates a further £150,000. In addition, there will be increased income from property rentals due to both new leases (i.e. Abercrombie Lodge) and updates to existing ones (i.e. Three Mills). We are further budgeting for an additional change of £80,000 in car parking income.

- **Pension Contribution (£180,000)** – the Triennual valuation for the pension fund proposed a reduction to the employer contribution rate from its current 15.6% to 13.8% for the three years to 2025/26. We had built an increase of £100,000 to the base budget, whereas the reduction will see our contributions reduce by £80,000.

- **Reduction to borrowing costs (£291,000)** – we expect that the sale of Mile and Langley Nursery will provide a net capital receipt of which we have already earmarked £2.3m of this to finance the Venue Improvement Programme that was approved by Members in November 2021 (Paper E/743/21 18 November 2021). By using the remainder of any receipt against the borrowing need for the Ice Centre this will reduce the borrowing costs (principle and interest), currently estimated at around £300,000.

- **Reduced Contributions to Earmarked Reserves (£530,000)** – we are able to reduce our contributions to reserves by £0.5m without effecting the asset management programme. Further details on earmarked reserves are discussed below.

- **Community Programmes Savings (£30,000)** – our annual budget for community programmes is £300,000, which covers Learning and Engagement (L&E), Community Access Funding, and Grants to schools and sports clubs. This is in addition to the Community Programme commitments GLL are contractually obliged to deliver which includes support / access for clubs, groups and health programmes. The focus in 2023/24 will however, be diverted to delivering more focused community programmes associated with the new Ice Centre. However, if budget performance in 2023/24 allows, support for community programmes elsewhere will be increased.

- **Further operational savings (£125,000)** – amending working practices and opening times at Myddelton House, along with reduction to marketing and grounds maintenance, will provide further operational savings. We will continue to look for efficiencies and savings across all our budget heads.

- **LSC Management Fee (£200,000)** - officers are currently in discussion with GLL about possible savings that can be found within the LSC, in terms of changes to service delivery, in both timing and efficiencies, along with investment in energy efficiency schemes. Two investment projects at Lee Valley Athletics Centre and Lee Valley Riding Centre have been identified, and are presented to Members in a separate paper (Paper E/796/23). Whilst it is unlikely that major investments will produce any significant savings in 2023/24, they should start to deliver savings in later years. We have factored a continual saving of **£200,000 from 2023/24**, and further savings to the Management Fee will be added in when schemes are approved.

14 In addition, an Income and Energy contingency of **£600,000** has been added to the budget, to cover possible reductions to income, plus increases above estimated utility costs.

15 The net total saving, once applied to the MTFF, reduces the deficit for 2023/24 to **£1.3m.**

	2022/23 £000s	2023/24 £000s
Deficit/Surplus before savings	**200**	**2,648**
Savings and Additional Income	0	(1,871)
Income & Energy Contingency	0	600
Revised Budget Deficit/(Surplus)	200	**1,327**

16 The impact of these mitigating actions, along with the additional contingency, has the following effect on the general reserves.

Opening Common Fund balance	(2,993)	(2,793)
Budget Deficit/(Surplus)	200	1,327
Closing Common Fund balance	(2,793)	(1,466)

It reduces the closing balance at 31 March 2024 to £1.47m, which is significantly below the current agreed level of between £3m - £4m.

17 Setting a deficit budget of such significant amount, which requires drawing from general reserves of £1.33m is not credible, and leaves us with very low general reserves. With all the risks and uncertainties over the coming years, it would leave the Authority in a highly vulnerable financial position.

REVENUE CONTRIBUTION ASSET MANAGEMENT RESERVES AND CAPITAL

18 The Authority makes an annual contribution to Earmarked Reserves for Asset Maintenance, Repairs and Renewals of £1.43m. This is to fund any asset management or replacement projects that have been identified, along with some contingency for unexpected events.

19 The Authority has a significant asset maintenance programme, delivered both in house, and by GLL for the LSC venues. This is in the range of between £1.5m to £2.2m pa, and over the five years to 2026/27 totals over £9.3m. Appendix D to this report sets out the current annual programme, identifying both the Authority delivered asset management programme, and the GLL lifecycle costs.

Members should note that whilst GLL is directly responsible for the majority of the maintenance at the major sports venues, the Authority retains some maintenance obligations that sit outside the LSC.

20 The value of these reserves is anticipated to be £1.5m at 31 March 2023. A reduction to the annual contribution by £0.5m from £1.25m to £0.75m, along with a programme of £1.8m over 2023/24, of which £0.7m is paid to GLL via the LSC Management Fee, will reduce this to £1.1m but will still allow all scheduled projects to be delivered. Contributions will be uplifted from 2024/25 onwards to rebuild these reserves for future asset maintenance projects.

21 It should also be noted that the Authority does not currently make any contribution from Revenue to fund its Capital Programme, outside of the statutory requirement to fund past capital expenditure financed by borrowing. Current capital is funded from existing and new capital receipts and external borrowing.

A longer term aspiration should be to finance, at least in part, the capital programme directly in year from revenue contributions rather than rely on future receipts, which may not be forthcoming, and inflation and rates risks associated with borrowing, and the long term implications of those.

THE LEVY

22 The maximum levy is determined by law. The annual increase for the maximum levy in the year ahead is based on the Retail Price Index (RPI) as at the preceding September. The RPI for September 2022 was 12.64%. Therefore the maximum levy for 2023/24 is set **at £31.2million (2022/23 was £27.7million).**

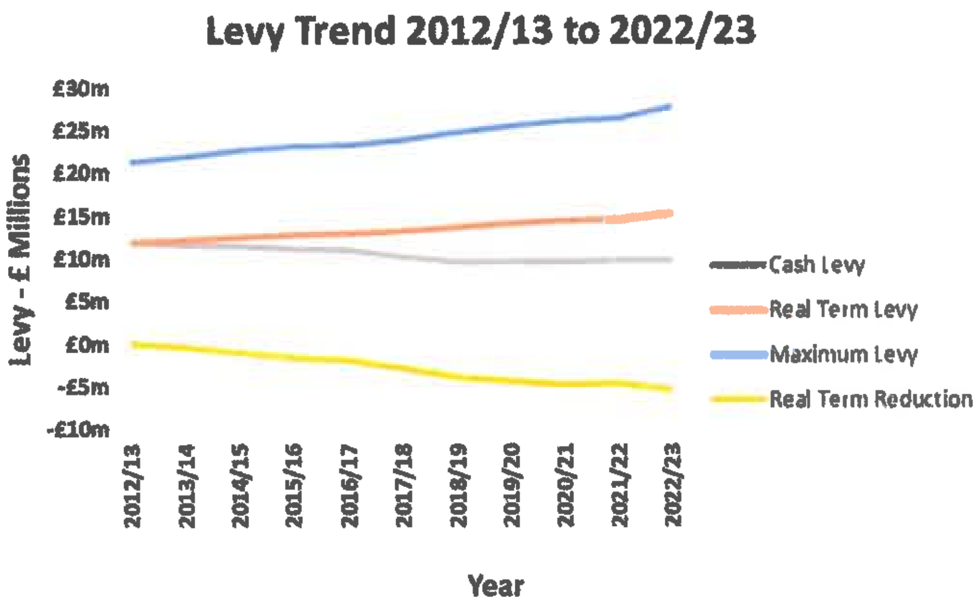
23 A **1%** movement in the levy equates to approximately £97k per annum for the Authority. Whilst a 1% movement in the levy impacts between £200 and £12,900 for the smallest (Corporation of London) and the largest contributing authority (Essex) respectively, with the majority of contributing authorities falling **between £1,200 and £3,400 per annum**.

24 Over the last 10 years changes in the levy have been significantly below inflation (RPI) with a real term decrease of around 46% over the last ten years.

	Actual Cash Levy £m	**Real Term Levy (if had increased with inflation) £m**	**Maximum Levy £m**
2012/13	£11.749	£11.749	£21.341
2022/23	£9.767	£15.241	£27.683

Levy Decrease	- 16.87%
RPI Increase	+ 29.71%

The current levy of £9.767m represents an overall reduction against the real term inflated levy of £15.241m of 56.0% (-£5.473m).



25 The levy is apportioned to contributing authorities, based on proportion of each authority's Council Tax Band D figure, against a combined figure for all contributing authorities. **Appendix D** to this report sets out how the 2022/23 levy was apportioned to the contributing authorities.

RESERVES

26 Any decision taken by Members that does not provide for a balanced budget will mean a draw on reserves. The unallocated General Fund reserve was £3.0mill as at 1 April 2022. The projected outturn for 2022/23 is expected to decrease this to around £2.8mill by 31 March 2023. This level is under constant review, and reported to Members through the quarterly revenue monitoring throughout the year.

27 Reserves serve three main purposes:

- working balance to help cushion the impact of uneven cash flows;
- contingency to cushion the impact of unexpected events or emergencies;
- building up funds to meet known or predicted requirements – often referred to as earmarked reserves.

The use of reserves to routinely fund a revenue budget should be avoided in order to demonstrate sound financial management. The revenue budget should be funded in full by income sources other than reserves.

The external auditor has previously highlighted the unsustainability of relying on general reserves to fund budget deficits.

28 Members annually review the existing policy on revenue reserves ensuring minimum levels of cash reserves are maintained to deal with unforeseen circumstances. Prior to Covid-19, the level that Members agreed for general reserves to remain around was £3million - £4million.

The new LSC has transferred the risk for income from the Authority to the contractor and minimises the need to consider shortfalls in income at these major venues as an ongoing risk. However, the LSC does require a review of the Management Fee to reflect the delay in the new Ice Centre handover and in relation to both utility consumption and costs, and income levels as activities return to pre-Covid-19 levels which are in the LSC budget.

When considering reserve levels financial risks should be assessed and these include:

- further impact of energy price increases;
- assumptions around inflation and interest rates;
- estimates and timing of capital receipts and expenditure;
- the treatment of demand led pressures;
- the treatment of planned efficiency savings;
- the availability of existing reserves; and
- the general economic climate.

Based on the risk factors set out in this paper, it is recommended that the current minimum level reserves policy could be maintained at £3mill, allowing for short term annual fluctuations that may materialise, and any "one-off" commitments approved by Members in a given year.

29 The focus over the medium term however, should be on an incremental approach to building reserves back up to a position where they are within the policy range of £3m-£4m.

There are a number of factors in our operating environment currently drawing on our reserves which are outside of the Authority's direct control – utility price increases, pay negotiations. This in itself demonstrates the need to hold sufficient reserves to respond to such events,

30 The result of these factors mean we currently find ourselves below our target reserves level, however Members are asked to agree that we work towards building reserves back up to the £3m-4m position in the medium term (subject to annual review).

31 An analysis of Revenue Reserves is presented in **Appendix B** to this report. It sets out movement on these reserves in line with MTFF, and how the balances change over the period. Over the course of the next few years there is a steady increase in the level of General Reserves to a level once again over £3m in 2026/27.

PROPOSED LEVY FOR 2023/24

32 The Financial Forecast for 2023/24, as detailed in this report, is set out in summary below.

	2023/24 £000s
Base Budget Authority	70
Increased Costs	2,578
Savings and Additional Income	(1,921)
Income and Energy Contingency	600
Budget Deficit	**1,327**

33 Subject to the underlying assumptions and risks/uncertainties as set out in previous paragraphs, **the proposal is to increase the Levy by 9%** to cover some of the impact of the increased costs. This increase, which could be seen as an Energy Surcharge, would represent an increase in the total levy of £879,000, which equates to around 54% of the additional energy costs in the 2023/24 budget. Whilst this would still set a deficit budget for the year, it would position the general reserves at around £2.4million at year end.

	2023/24 £000s
Budget Deficit	**1,327**
Increase in Levy	(879)
Drawing from General Reserves	488

34 **Appendix C** to this report sets out the levy for contributing authorities based upon the 2022/23 Council Tax Band D calculations submitted, with an indicative position on what a 1% and 9% rise would be. These calculations usually change between years and therefore will affect the actual sum charged in 2023/24.

FUTURE PROJECTS AND INVESTMENTS

35 Officers are continuing to work on a number of projects and initiatives designed to provide additional income, and/or efficiencies and savings in future years.

A number of these projects were approved by Members in November 2021, and relate to investments mainly at Authority run venues – Campsites and Marinas, as well as Holyfield Hall Farm. In addition, schemes designed to provide savings against the LSC Management Fee – LED lighting at Lee Valley VeloPark and reconfiguration and extension of rooms at Lee Valley White Water Centre were also approved.

36 Given the situation now around energy costs, officers are reviewing invest to save energy schemes at both the LSC Sports Venues and Authority run sites.

GLL are currently concluding work on these, and will go some way to providing the £200,000 savings target for them in the MTFF. A paper will be brought to Members to approve the schemes, in line with the LSC, which will see the Authority providing the capital required for this, but with an agreement for the return on investment resulting in an improvement to the Management Fee.

Two investment projects at LSC Venues have already been identified, and are being presented to Members in a separate paper (Paper E/796/23) and will be included in the revised Capital Programme if approved.

The Authority has commissioned its own consultants to look Park wide at LED lighting and recommend changes, enhancements and investments to reduce our energy consumption. When ready, officers will update Members.

However, the full extent of the savings these schemes will potentially provide, will not likely be felt until 2024/25 earliest.

37 Officers also continue to review other areas of investment, such as provision of additional accommodation options at the Campsites.

In addition, in light of the changes to office accommodation requirements and the high cost of managing the Myddelton House site, over the next year officers will be exploring alternative office accommodation options.

38 Looking further ahead, there are a number of major schemes, which may deliver returns in the medium term:

- Spitalbrook;
- Visitor Accommodation at Lee Valley White Water Centre;
- Picketts Lock Centre - The Wave;
- WaterWorks - Visitor Accommodation;
- Eton Manor; and
- Rammey Marsh West.

39 Officers are in the process of reviewing the major schemes programme with the aim of re-prioritising based on deliverability and level of potential financial benefit.

CONCLUSIONS

40 The Authority has significant demands over the next year in responding to the current economic climate, the demands that this will have on purchasing costs, the probable reduction in demand for services and activities and resultant fall to income and energy prices.

The requirement to significantly increase the Levy to respond to these demands, whilst unfortunate, is essential in enabling the Authority to fulfil its statutory duties, deliver its corporate objectives and ensure that there is greater confidence regarding the current financial uncertainties over the coming year.

41 The Authority will continue to strive to increase value to the regional constituency, whilst reducing the cost of the Lee Valley Regional Park to the taxpayer. A number of major projects are being looked at for future years, which should help to start to bring the levy back down again. These involve both income generating and efficiency savings schemes that should start to show return from 2024/25.

ENVIRONMENTAL IMPLICATIONS

42 There are no environmental implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

43 The financial implications are fully considered within the body of the report.

HUMAN RESOURCE IMPLICATIONS

44 There are no human resource implications arising directly from the recommendations in this report

LEGAL IMPLICATIONS

45 The Authority is required to set a budget and levy annually by 24 January and notify contributing authorities by no later than the 15 February in the year preceding the levy.

RISK MANAGEMENT IMPLICATIONS

46 Paragraph 9 sets out the main risks and uncertainties the Authority faces in achieving the budget during 2023/24. Most significantly the economic climate remains extremely uncertain, particularly against the back-drop of the inflationary pressures and increases to energy costs and could impact significantly on any of the assumptions made.

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PREVIOUS COMMITTEE REPORTS

Executive	E/791/22	Authority Fees & Charges Review 2023/24	15 December 2022
Executive	E/792/22	Pension Contribution Rate 2023	15 December 2022
Authority	A/4312/22	Proposed Budget & Levy 2022/23	20 January 2022
Authority	A/4313/22	Proposed Capital Programme 2021/22 (Revised) to 2026/27	20 January 2022

APPENDICES ATTACHED

Appendix A	Medium Term Financial Forecast Summary
Appendix B	Analysis of Revenue Reserves
Appendix C	Levy Apportionment 2022/23 and Indicative 2023/24
Appendix D	Five year Asset Management Programme

LIST OF ABBREVIATIONS

MTFP	Medium Term Financial Plan
RPI	Retail Price Index
CPI	Consumer Price Index
GLA	Greater London Authority
LVWWC	Lee Valley White Water Centre
LVAC	Lee Valley Athletics Centre
CAF	Community Access Fund
LSC	Leisure Services Contract
Park Act	Lee Valley Regional Park Act 1966

Appendix A to Paper E/795/23

	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Base Budget 2022/23 Authority	7,394	7,394	7,394	7,394	7,394
Base Budget Adjustments for Loan Repayment/MRP	0	1,467	1,430	1,393	1,358
Other Base Budget Adjustments	0	(28)	57	59	61
New LSC Management Fee	2,261	560	(386)	(398)	(657)
LSC Efficiencies/Savings (Velo LED)	(60)	(60)	(60)	(60)	(60)
LSC Utility Contingency	310	210	0	0	0
Cumulative Inflation Growth	0	295	519	732	998
Total Authority Budget	9,905	9,838	8,954	9,120	9,094
Levy	(9,768)	(9,768)	(9,768)	(9,768)	(9,768)
Budget Deficit/(Surplus)	137	70	(814)	(648)	(674)
Increased costs					
Legal costs re Litigation	174	-	-	-	-
Asset Maintenance Funding	-	-	250	250	250
Additional Borrowing Costs	-	278	272	264	258
Pay Award (4% 23/24, 3% 24/25, then 2%)	150	287	358	365	372
Property Solicitor	-	70	70	70	70
GLL Management Fee (Re Delay opening Ice Opening)	250	250	0	-	-
Ice Centre Clubs/Coaches	-	-	-	-	-
Corporate Training	-	20	0	0	0
Utility Costs (Authority)	265	403	403	403	403
Utility Costs (GLL)	195	1,220	1,220	1,220	1,220
Increased costs	1,034	2,528	2,573	2,572	2,573
Savings and Additional Income					
Insurance Premium Reduction	(104)	(125)	(125)	(125)	(125)
Additional Property Income	(238)	(160)	(220)	(220)	(220)
Commonwealth Games Income	(252)	-	-	-	-
Capitalisation of short-term borrowing interest	(58)	-	-	-	-
Savings, Efficiencies, Income	(69)	-	-	-	-
Income Growth (Fees & Charges) (above base)	-	(150)	(155)	(158)	(161)
Car Parking Income	-	(80)	(80)	(80)	(80)
Pension Triennual	-	(180)	(180)	(180)	0
Asset Maintenance Funding	(250)	-	-	-	-
Reduced Earmarked Reserves Contribitions	-	(530)	(100)	(100)	(100)
Community Programmes Savings	-	(30)	0	0	0
Myddelton House	-	(20)	0	0	0
MH Gardens, Heritage Centre	-	(55)	0	0	0
Marketing	-	(20)	0	0	0
Gate Closing (GM)	-	(30)	(30)	(30)	(30)
GLL efficiencies/ Reduced MF	-	(200)	(200)	(200)	(200)
Reduction to Borrowing costs	-	(291)	(285)	(281)	(277)
Spend to save investments return - TBC	-	0	0	0	0
Savings and Additional Income	(971)	(1,871)	(1,375)	(1,374)	(1,193)
Income and Energy Contingency	-	600	200	0	0
Revised Budget Deficit/(Surplus)	200	1,327	584	550	706
Levy Increase 9%	-	(879)	(879)	(879)	(879)
NET TOTAL BUDGET	200	448	(295)	(329)	(173)
Closing General Fund	(2,793)	(2,345)	(2,640)	(2,969)	(3,142)

LEE VALLEY REGIONAL PARK AUTHORITY
Analysis of Usable & Unusable Reserves

	Note	Opening	Closing				
		2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
		£000s	£000s	£000s	£000s	£000s	£000s
Usable Reserves							
General Fund	1	(2,993)	(2,793)	(2,345)	(2,640)	(2,969)	(3,142)
Asset Maintenance Reserve		(710)	(442)	(200)	(147)	(126)	(866)
Repairs & Renewals Funds		(1,246)	(1,026)	(876)	(956)	(1,036)	(1,116)
Sub Total Asset Maintenance		(1,956)	(1,468)	(1,076)	(1,103)	(1,162)	(1,982)
Insurance Fund		(420)	(300)	(280)	(260)	(240)	(220)
Usable Capital Receipts		(11,506)	(10,255)	(8,410)	(8,010)	(7,660)	(7,510)
Total Usable Reserves		(16,875)	(14,816)	(12,111)	(12,013)	(12,031)	(12,854)
Capital Financing & Borrowing							
Capital Financing Requirement (pre-2007)		11,205	10,755	10,323	9,908	9,510	9,128
Capital Financing Requirement (Ice Centre)	2	0	20,000	23,500	22,897	22,294	21,691
Asset Under Construction (Ice Centre)		13,250	0	0	0	0	0
External Borrowing	3	(10,000)	(25,000)	(24,000)	(24,000)	(23,400)	(22,800)
Net Internal Borrowing		14,455	5,755	9,823	8,805	8,404	8,019
Creditors/Debtors - General Liabilities		(2,500)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Net Closing Reserves Balances		(4,920)	(10,661)	(3,888)	(4,808)	(5,227)	(6,435)

Notes
1. Assumes 9% Levy 2023/24, then 0%
2. Estimate on underlying borrowing need for Ice Centre at Year end, net of Capital Receipt.
3. Estimate on short-/long-term borrowing profile

Lee Valley Regional Park Authority

Levy 2022/23 & Indicative 2023/24

Authority	Levy 2022/23 £s	Total 9% £s	Increase 9% £s	1% £s
Corporation of London	19,677	21,450	1,773	197
London Borough of Camden	213,444	232,650	19,206	2,134
London Borough of Greenwich	198,010	215,830	17,820	1,980
London Borough of Hackney	175,027	190,780	15,753	1,750
London Borough of Hammersmith & Fulham	194,621	212,140	17,519	1,946
London Borough of Islington	189,688	206,760	17,072	1,897
Royal Borough of Kensington & Chelsea	230,149	250,860	20,711	2,301
London Borough of Lambeth	262,989	286,660	23,671	2,630
London Borough of Lewisham	210,335	229,260	18,925	2,103
London Borough of Southwark	253,776	276,620	22,844	2,538
London Borough of Tower Hamlets	256,014	279,060	23,046	2,560
London Borough of Wandsworth	326,552	355,940	29,388	3,266
City of Westminster	319,521	348,280	28,759	3,195
London Borough of Barking & Dagenham	123,211	134,300	11,089	1,232
London Borough of Barnet	356,849	388,970	32,121	3,568
London Borough of Bexley	194,152	211,630	17,478	1,942
London Borough of Brent	233,579	254,600	21,021	2,336
London Borough of Bromley	315,477	343,870	28,393	3,155
London Borough of Croydon	322,632	351,670	29,038	3,226
London Borough of Ealing	280,703	305,970	25,267	2,807
London Borough of Enfield	227,993	248,510	20,517	2,280
London Borough of Haringey	187,618	204,500	16,882	1,876
London Borough of Harrow	210,051	228,960	18,909	2,101
London Borough of Havering	211,482	230,520	19,038	2,115
London Borough of Hillingdon	245,669	267,780	22,111	2,457
London Borough of Hounslow	205,282	223,760	18,478	2,053
Royal Borough of Kingston upon Thames	149,521	162,980	13,459	1,495
London Borough of Merton	179,223	195,350	16,127	1,792
London Borough of Newham	193,697	211,130	17,433	1,937
London Borough of Redbridge	214,972	234,320	19,348	2,150
London Borough of Richmond upon Thames	209,857	228,740	18,883	2,099
London Borough of Sutton	173,814	189,460	15,646	1,738
London Borough of Waltham Forest	185,990	202,730	16,740	1,860
	7,271,577	7,926,040	654,463	72,716
Hertfordshire County Council	1,084,608	1,182,220	97,612	10,846
Essex County Council	1,289,203	1,405,230	116,027	12,892
Thurrock Council	122,212	133,210	10,998	1,222
	9,767,600	10,646,700	879,100	97,676

NB: Levy apportionment is based on individual authorities Council Tax Band D base, as a percentage of the Total, so final figures will be slightly different to those shown above

Lee Valley Regional Park Authority
Asset Maintenance Summary Rolling Programme

	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s
Authority AM Programme					
Waterworks Visitor Centre	0	20	30	20	0
Lee Valley Riding Centre	0	0	60	0	0
Staff Bungalows	25	25	25	25	25
Lee Valley Marina (Springfield)	50	175	5	500	0
Lee Valley Athletics Centre	483	45	45	0	75
Lee Valley Golf Course	0	0	0	0	0
Lee Valley Campsite (Sewardstone)	15	5	0	15	0
Dobbs Weir Caravan Site	53	15	0	0	0
Myddelton House	14	50	6	50	0
Myddelton House Gardens	3	14	0	28	0
Broxbourne Riverside	0	0	5	0	0
Old Mill Meadows - Broxbourne	8	60	100	0	0
Lee Valley Marina (Stanstead Abbotts)	5	90	500	0	0
River Lee Country Park	0	0	10	0	0
Lee Valley Park Farm (Holyfield Hall)	0	0	0	0	35
Rye House Gatehouse	0	0	10	0	0
Fishers Green	6	0	0	0	0
Lee Valley White Water Centre	111	0	0	99	0
Lee Valley Velopark	70	10	130	118	0
Lee Valley Hockey & Tennis Centre	1	110	0	31	15
Wildlife Discovery Centre	50	80	80	125	100
Open Spaces/Bridges	50	130	150	130	130
Abbey Gardens	16	67	32	30	30
Bow Creek	0	6	0	0	0
Dobbs Weir Toilet Block	3	0	0	0	0
Gunpowder Park	5	0	0	0	0
East India Dock Basin	0	40	15	0	0
Footpaths and access routes	50	50	100	100	100
Additional Contingency	0	0	0	0	0
Sub Total Authority AM Programme	**1,018**	**992**	**1,303**	**1,271**	**510**
GLL Buildings and Equipment Lifecycle costs (As per LSC LOBTA)					
Lee Valley Velopark	139	178	184	504	391
Lee Valley Hockey & Tennis Centre	8	174	63	22	42
Lee Valley White Water Centre	121	6	73	179	244
Lee Valley Athletics Centre	139	204	262	38	63
Lee Valley Riding Centre	120	87	77	30	94
Lee Valley Ice Centre	0	13	25	30	35
Sub Total LSC Lifecycle Costs	**527**	**662**	**684**	**803**	**869**
Miscellaneous Repairs & Renewals	220	150	100	100	100
Total Building And Equipment Maintainance	**1,765**	**1,804**	**2,087**	**2,174**	**1,479**

Asset Maintenance Funding

	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s
Opening Balance	(1,956)	(1,468)	(1,076)	(1,103)	(1,162)
Authority Contributions	(750)	(750)	(1,430)	(1,430)	(1,430)
LSC Management Fee	(527)	(662)	(684)	(803)	(869)
Expenditure	1,765	1,804	2,087	2,174	1,479
Closing Balance	(1,468)	(1,076)	(1,103)	(1,162)	(1,982)

Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **19 JANUARY 2023 AT 10:30**	**Agenda Item No:** 6 **Report No:** **E/793/23**

PROPOSED CAPITAL PROGRAMME 2022/23 (REVISED) TO 2026/27

Presented by the Head of Finance

EXECUTIVE SUMMARY

The last full review of the capital programme was undertaken in January 2022 and the current programme was approved at the Executive Committee meeting on 20 January 2022 (Paper E/750/22). This report brings together revisions and refinements to that programme and the latest information on the estimated total cost and timing of projects through to 2026/27.

The Authority's capital development programme is geared to the management and development of its existing assets, legacy venues on its land and business development schemes to generate further income for the Regional Park. The capital programme incorporates the major development scheme at Lee Valley Ice Centre, but beyond this period is yet to be fully determined with major investment schemes identified and potential new investment following the re-letting of the new Leisure Services Contract post 2022 and this will impact the future direction of the capital programme and its financing requirements. Two projects at Leisure Service Contract venues have been identified, and included in the proposed capital budget, and will be presented in detail in a separate report (Pape E/796/23).

In terms of overall financial provision, the proposed capital programme provides for total investment by the Authority of up to £27.3 million to 31 March 2027, as set out in Appendix B of this report. The majority of this investment is for the new Ice Centre, which has a total budget of £30 million, and general asset maintenance.

RECOMMENDATIONS

Executive Committee Recommend to Authority:

(1) the revised capital programme for 2022/23 (revised) to 2026/27 as set out in Appendix A to this report;

(2) the proposed capital funding to meet the planned capital programme as set out in Appendix B to this report; and

(3) the use of capital receipts to part finance the redevelopment costs of the Lee Valley Ice Centre, as set out in paragraph 9 of this report.

BACKGROUND

1 A significant programme of capital development and investment is an important part of the Authority's statutory remit, whether funded directly by the Authority or with other partners. The capital programme reflects the Authority's key role as a developer and enabling organisation and includes a number of projects which are crucial in achieving the objectives set out in the Strategic Business Plan. Major capital projects have and will continue to determine the character of the Regional Park for the near future.

2 The Covid-19 pandemic has had a major impact on the Authority's cash reserves, but has also impacted on the potential development of the capital programme over the next few years. Projects such as third party investment at Picketts Lock and Eton Manor, as well as potential development investment at venues as part of the Leisure Services Contract (LSC) have been delayed. Projects at LSC venues are now being developed, and details of two schemes are being presented to Members in a separate paper (Paper E/796/23).

3 This report brings together the results of known approved changes and the latest information on estimated costs and timing of existing individual projects. It proposes a revised capital programme for the period 2022/23 (revised) to 2026/27 for Members' consideration. This is summarised in paragraph 18 in this report and further detailed in Appendices A and B to this report.

4 The key project in the capital programme is the redevelopment of Lee Valley Ice Centre, with £30m earmarked for the period August 2021 to February 2023. This requires external funding from borrowing, and has been included within the programme at the current expected phased expenditure.

Another key aspect is the asset maintenance and management programme for the Authority's estate. A major condition survey of the Authority's venues was undertaken prior to the commencement of the LSC and provided clarity on the investment sums required by the Authority and GLL to maintain this part of the estate. This is in addition to an already established and ongoing programme of maintenance of Authority venues, infrastructure, and open spaces. Estimated Authority expenditure has been incorporated into the revised capital programme attached at Appendix A to this report. GLL have a contractual requirement to manage and maintain the assets they currently manage, and there is a significant asset management programme included in the LSC. The combined asset maintenance programme is set out in Appendix C to this report.

The Authority has adopted a land and property strategy for the consideration of land acquisition and disposal. Officers guided by Members have reviewed the Authority's estate in its widest sense, with the aim of maximising the return, in terms of how the land is used, new land purchase opportunities, and disposals where potentially marginal land can be identified as no longer required for Park purposes.

This approach provides a more strategic overview to the capital programme of which land disposal/acquisition is a key aspect and potential disposals can provide for funding further developments in the programme in the longer term.

STATUS OF THE CAPITAL PROGRAMME

5 **The capital programme is principally a planning document.** It matches the Authority's investment plans to its estimated projected capital resources over the

medium term and enables officers to undertake planning and feasibility work for projects which often have long lead times.

6 **Inclusion of a project in the capital programme does not, in itself, commit the Authority or constitute approval to incur expenditure.** For all major projects a full business case based on the Prudential Code including detailed briefs, scheme designs, project costs, funding arrangements and ongoing revenue costs (including the cost of capital) will be the subject of specific reports for Member approval.

Likewise, any land identified for potential disposal **does not, in itself, commit the Authority to dispose of any areas of land.** For all decisions concerning potential disposal a full appraisal must be carried out covering a strategic evaluation of the disposal which must in the first instance be identified as no longer required for Park purposes. Each area of land considered for disposal will be the subject of a specific report for Member approval which will include the financial, legal, planning and risk implications of doing so.

7 In some cases inclusion of financial provision in the programme reflects an identified or expected need for investment. Although the exact nature and scope of any project may yet need to be determined. In these cases, both the level and timing of expenditure are clearly subject to change.

8 The Authority's capital development programme is geared to the management and development of its existing assets, legacy venues on its land and business development schemes to generate further income for the Park. The capital programme beyond this period is yet to be determined with major investment schemes identified at particular sites. Future major investments e.g. Lee Valley Ice Centre and venue investment will require separate business cases and funding plans to be in place before committing to the project, but indicative figures are included in the plan.

CAPITAL RECEIPT FOR DISPOSAL OF MILE AND LANGLEY NURSERY

9 The Authority has received a capital receipt of £7.75m in respect of the disposal of Mile and Langley Nursery (Executive 23 June 2022 Paper E/772/22), which will result in a net usable receipt of around £7.5m. Members agreed that the funding of the Venue Improvement Programme (Executive 18 November 2021 Paper E/743/21) would come from this receipt, with the remainder being added to the general usable capital receipts pool.

It is proposed that the remainder of this receipt, around £5m, is applied to the direct financing of the Lee Valley Ice Centre redevelopment, thereby reducing the need for external borrowing, and the associated financing costs.

Whilst the return from GLL in respect of the Management Fee receivable by the Authority for the operation of the new Ice Centre, once at full usage, is expected to cover the financing costs, reducing the borrowing need would provide for a saving of around £300,000 in 2023/24, and continued savings over future years.

This saving has been factored into the Medium Term Financial Forecast for 2023/24. Members should be aware that if this is not directly applied to finance redevelopment of Lee Valley Ice Centre, whilst it would mean that capital reserves would increase, there would be an increase in the net revenue budget deficit for 2023/24, and further impact on the revenue budget in future years to support the borrowing requirement.

PROJECTED AVAILABLE CAPITAL FUNDING

10 Initial indications are that existing capital reserves together with projected borrowing and major repairs revenue contributions will provide funds of £35.7m to 31 March 2027.

11 A key feature of the Business Plan is recognition of the need to work in partnership with other organisations and sectors in order to deliver the Authority's vision for the Park. One strand of this approach has been to look for opportunities for external funding, using the Authority's resources to attract contributions from partners and funding bodies.

In recent years the ability to attract external grant funding to support the capital programme has become very limited. The Authority has therefore shifted its strategic approach to realising more of its funding from utilising its own asset base. This has identified potential new capital resources to support funding of the programme as well as key strategic sites for investment. Any income that is generated can be used to develop the Park further through the capital programme.

12 **Partnership Funding**

Currently forward projections for partnership funding against major schemes are not included, although officers are working closely with partners to seek external funding for major projects, for example, at Picketts Lock, Eton Manor, and East India Dock Basin.

13 The proposed revised capital programme is detailed at Appendix A to this report; the financial provision shown represents the Authority's own capital investment alongside any anticipated borrowing. The total net funding requirements of the revised capital programme proposals are **£27.3 million** to 31 March 2027.

14 Appendix A to this report does not include the potential impact from any new work undertaken through the Park Development Framework (PDF) or works resulting due to contaminated land. Further investment across the themed categories of the PDF and decontamination works may be needed in the longer term and where this occurs officers will need to identify resources required through the normal capital programming process.

15 The programme includes two capital development works at the LSC venues, which have been identified by GLL for investment. These two schemes, the gym development at Lee Valley Athletics Centre (LVAC) and Mechanical Horse simulator at Lee Valley Riding Centre (LVRC) are subject to separate Member approval (Paper E/796/23), but have been included in the programme. Further works have not yet been identified, but will be brought to Members for approval of expenditure and funding plan when appropriate.

16 **Revenue Contribution to Capital**

The proposed revenue contribution to support the capital programme in 2023/24 has been reduced to £0.8 million in line with the current Medium Term Financial Plan. This contribution will support the Asset Maintenance programme, and represents 7% of the proposed 2023/24 levy (£10.647m). Remaining capital resources will come from existing capital receipts and borrowing.

17 The estimated and proposed capital resources available to fund the capital programme proposals are set out in Appendix B to this report and summarised below.

18 Table 1 summarises the capital financing, and shows that at the end of the five year period to 31 March 2027 capital reserves would be £8.38 million.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Opening Resources	12.22	10.68	8.61	8.16	7.79
Contributions/Borrowing	15.00	4.75	1.25	1.25	1.25
Capital Expenditure	(16.52)	(6.84)	(1.70)	(1.62)	(0.67)
Surplus Capital Resources	**10.68**	**8.61**	**8.16**	**7.79**	**8.38**

Table 1: Summary of Capital Expenditure and Financing

19 The Capital Strategy report sets out more details on the financing of capital expenditure, but ultimately capital can be financed in two ways – direct up-front financing, or by debt (either internal or external).

Up-front financing involves the application of capital grants, contributions, capital receipts, or a direct charge to revenue, whereas debt financing is by external borrowing, or use of own cash reserves. Capital financed by debt will subsequently place a burden on future year's revenue budget, and thus the Levy.

ENVIRONMENTAL IMPLICATIONS

20 There are no environmental implications arising directly from the recommendations in the report. However, the schemes contained in the programme clearly have significant environmental implications. These will be considered as part of the detailed development of each scheme/sale and will feature in the individual reports to Members on each proposal.

FINANCIAL IMPLICATIONS

21 As part of the budget process over the last couple of years, Members have reviewed the annual revenue contribution to capital reducing it to £0.8 million for 2023/24. Whilst realising some level of capital receipts from the Authority's estate to enable re-investment may identify potential new capital resources to support funding of the programme going forward, there is no certainty of this being achieved. Nor is the prospect of securing direct funding from third parties. Members should therefore consider that an increase in direct capital support from revenue may be required in future years, either in the form of contributions, or internal and external borrowing.

HUMAN RESOURCE IMPLICATIONS

22 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

23 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

24 There are no risk management implications arising directly from the recommendations in this report. The assumptions for future capital investment and funding rely partly on contributions from the disposal of some marginal sites to enable re-investment in development and/or improvement in other areas of the Regional Park and therefore to deliver the corporate priorities going forward. If the Authority does not achieve some land disposals then it may mean major investment projects are either pared back to match available resources, deferred until new resources become available, or funded by borrowing (which would have a direct impact on the Levy). Failure to invest in major repairs may also lead to a deterioration of the existing asset base

EQUALITY IMPLICATIONS

25 There are no equality implications arising directly from the recommendations in this report.

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PREVIOUS COMMITTEE REPORTS

Executive	E/750/22	Proposed Capital Programme 2021/22 Revised To 2025/26	20 January 2022

APPENDICES ATTACHED

Appendix A	Capital Development Programme Revised 2022/23 to 2026/27
Appendix B	Capital Programme Financing Forecast 2022/23 to 2026/27
Appendix C	Combined Asset Maintenance Programme

LIST OF ABBREVIATIONS

PDF	Park Development Framework
LSC	Leisure Services Contract

LEE VALLEY REGIONAL PARK AUTHORITY
CAPITAL PROGRAMME 2021/22 to 2026/27

		TOTAL BUDGET £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Asset Management		N/A	1,018	992	1,303	1,271	510
PROJECT SPECIFIC BUDGETS							
Lee Valley Ice Centre Redevelopment		30,000	11,750	4,000	-	-	-
Olympic Park Hostile Vehicle Mitigation		495	490	0	-	-	-
LANDSCAPE, OPEN SPACE & INVESTMENT PROJECTS							
East India Dock Basin - De-silting works	Provisional	500	0	500	0	0	0
Middlesex Filter Beds Sluice		240	240	0	0	0	0
St Pauls Field	Provisional	300	0	300	0	0	0
Waltham Abbey Gardens		tbc	tbc	tbc	tbc	tbc	tbc
Non-Sports Venues Investment Projects							
Campsites - WIFI Upgrade		30	30	0	-	-	-
Marinas - Welding Tents		10	10	0	-	-	-
Holyfieldhall Farm - Calf Nursery/Milk Storage		62	62	0	-	-	-
Feeder Pillars (Springfield)		75	75	0	-	-	-
Canoe Racks (Springfield)		3	3	0	-	-	-
Workshop Extension (Springfield)		100	0	100	-	-	-
Scout Hut Refurb (Springfield)		50	0	50	-	-	-
Laundry Room (Stanstead)		70	0	70	-	-	-
Holyfieldhall Farmhouse Conversion		250	0	0	250	-	-
Slurry Store (Holyfieldhall)		200	0	0	0	200	0
Dobbs Weir - Bungalow Refurbishment		50	50	0	-	-	-
Sewardstone - House Refurbishment		40	40	0	-	-	-
Sports Venues Investment Projects							
White Water - Offices, Meeting Rooms		450	465	-	-	-	-
White Water - Slalom Ramp		100	0	100	0	0	0
White Water Pumps Replacement		800	816	-	-	-	-
LVAC Gym *	Subject to Approval	575	0	575	0	-	-
LVRC Mechanical Horse *	Subject to Approval	65	65	0	-	-	-
Project Management		N/A	150	150	150	150	150
Schemes Completed 2022/23			1,255	-	-	-	-
NET PROGRAMME			**16,519**	**6,837**	**1,703**	**1,621**	**660**
Financing							
External Borrowing			(6,750)	(4,000)	0	0	0
Asset Maintenance Reserve			(1,018)	(992)	(1,303)	(1,271)	(510)
Capital Receipts			(8,751)	(1,845)	(400)	(350)	(150)
NET FINANCING			(16,519)	(6,837)	(1,703)	(1,621)	(660)

Lee Valley Regional Park Authority
Capital Programme Financing Forecast 2022/23 to 2026/27

Capital Resources	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	TOTAL £000s
Opening Balance		(12,216)	(10,697)	(8,610)	(8,157)	(7,786)	
Usable Capital Receipts Reserve	(11,506)	(7,500)	0	0	0	0	(19,006)
External Borrowing	0	(6,750)	(4,000)	0	0	0	(10,750)
Asset Maintenance (Major Repairs) Reserve	(710)	(750)	(750)	(1,250)	(1,250)	(1,250)	(5,960)
Revenue Financing Of Capital	0	0	0	0	0	0	0
		(15,000)	(4,750)	(1,250)	(1,250)	(1,250)	(35,716)
Total Available Resources	(12,216)	(27,216)	(15,447)	(9,860)	(9,407)	(9,036)	(35,716)
Capital & Asset Management Programmes							
Ice Centre Redevelopment		11,750	4,000	0	0	0	15,750
General Capital Expenditure		667	150	150	150	150	1,267
Infrastructure and Open Space Projects		677	800	0	0	0	1,477
Investment Projects (Non Sports)		424	220	250	200	0	1,094
Investment Projects (Sports)		1,983	675	0	0	0	2,658
Asset & Infrastructure Management		1,018	992	1,303	1,271	510	5,094
Total Capital Expenditure		16,519	6,837	1,703	1,621	660	27,340
Closing Balance		(10,697)	(8,610)	(8,157)	(7,786)	(8,376)	(8,376)
Capital Related Fund Balances							
Usable Capital Receipts Reserve	(11,506)	(10,255)	(8,410)	(8,010)	(7,660)	(7,510)	
Asset Maintenance (Major Repairs) Reserve	(710)	(442)	(200)	(147)	(126)	(866)	
	(12,216)	(10,697)	(8,610)	(8,157)	(7,786)	(8,376)	

Lee Valley Regional Park Authority
Asset Maintenance Summary Rolling Programme

	2022-23 £000s	2023-24 £000s	2024-25 £000s	2025-26 £000s	2026-27 £000s
Authority AM Programme					
Waterworks Visitor Centre	0	20	30	20	0
Lee Valley Riding Centre	0	0	60	0	0
Staff Bungalows	25	25	25	25	25
Lee Valley Marina (Springfield)	50	175	5	500	0
Lee Valley Athletics Centre	483	45	45	0	75
Lee Valley Golf Course	0	0	0	0	0
Lee Valley Campsite (Sewardstone)	15	5	0	15	0
Dobbs Weir Caravan Site	53	15	0	0	0
Myddelton House	14	50	6	50	0
Myddelton House Gardens	3	14	0	28	0
Broxbourne Riverside	0	0	5	0	0
Old Mill Meadows - Broxbourne	8	60	100	0	0
Lee Valley Marina (Stanstead Abbotts)	5	90	500	0	0
River Lee Country Park	0	0	10	0	0
Lee Valley Park Farm (Holyfield Hall)	0	0	0	0	35
Rye House Gatehouse	0	0	10	0	0
Fishers Green	6	0	0	0	0
Lee Valley White Water Centre	111	0	0	99	0
Lee Valley Velopark	70	10	130	118	0
Lee Valley Hockey & Tennis Centre	1	110	0	31	15
Wildlife Discovery Centre	50	80	80	125	100
Open Spaces/Bridges	50	130	150	130	130
Abbey Gardens	16	67	32	30	30
Bow Creek	0	6	0	0	0
Dobbs Weir Toilet Block	3	0	0	0	0
Gunpowder Park	5	0	0	0	0
East India Dock Basin	0	40	15	0	0
Footpaths and access routes	50	50	100	100	100
Additional Contingency	0	0	0	0	0
Sub Total Authority AM Programme	**1,018**	**992**	**1,303**	**1,271**	**510**
GLL Buildings and Equipment Lifecycle costs (As per LSC LOBTA)					
Lee Valley Velopark	139	178	184	504	391
Lee Valley Hockey & Tennis Centre	8	174	63	22	42
Lee Valley White Water Centre	121	6	73	179	244
Lee Valley Athletics Centre	139	204	262	38	63
Lee Valley Riding Centre	120	87	77	30	94
Lee Valley Ice Centre	0	13	25	30	35
Sub Total LSC Lifecycle Costs	**527**	**662**	**684**	**803**	**869**
Miscellaneous Repairs & Renewals	220	150	100	100	100
Total Building And Equipment Maintainance	**1,765**	**1,804**	**2,087**	**2,174**	**1,479**

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Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **19 JANUARY 2023 AT 10:30**	**Agenda Item No:** **7** **Report No:** **E/794/23**

CAPITAL STRATEGY 2022/23 TO 2026/27

Presented by the Head of Finance

EXECUTIVE SUMMARY

This paper sets out a capital strategy that gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. This strategy integrates the Capital Programme, the Annual Investment Strategy, Treasury Management Strategy and the Minimum Revenue Provision Statement.

It also includes the prudential indicators to be approved by the Authority.

RECOMMENDATIONS

Executive Committee Recommend to Authority:	(1)	the Capital Strategy as an overarching strategy document as set out within the body of the report, and Appendices B to D of this report; and
	(2)	the Prudential Indicators for 2022/23 to 2026/27 as set out in Appendix A of this report.

BACKGROUND

1 Publication of CIPFA's Prudential Code 2021 and Treasury Management Code 2021 updated and strengthened the reporting requirements around investment within local authorities.

2 The Capital Strategy is an overarching document with a simple guide on the capital programme, borrowing, investments, and sets out the prudential indicators that the Authority defines as parameters to work within when setting a prudent and sustainable approach to its investment to meet service needs.

3 The Capital Programme provides more details on capital expenditure and financing from the information provided in the Capital Strategy.

4 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) requires a range of Prudential Indicators which provide assurance that the Authority's capital expenditure plans are affordable and proportionate.

5 There are five Prudential Indicators which are defined and quantified within this strategy.

The Prudential Indicators are:

- Estimates of Capital Expenditure;
- Estimates of Capital Financing Requirement;
- Gross Debt and the Capital Financing Requirement;
- Authorised Limit and Operational Boundary for Borrowing; and
- Proportion of Financing Costs to Net Revenue Stream.

CORE PRINCIPLES THAT UNDERPIN THE CAPITAL PROGRAMME

6 The key principles for the capital programme are summarised below:

- capital investment decisions reflect the aspirations and priorities included within the Authority's Business Plan and supporting strategies;
- schemes to be added to the capital programme will be subject to Member approval, and prioritised according to availability of resources and any specific funding, business needs of the Authority, and with reference to the longer-term impact on the Authority's financial position;
- the cost of financing capital schemes, net of any revenue benefits that they may provide, are profiled over the lifetime of each scheme and incorporated, where applicable, into the budget.

CAPITAL EXPENDITURE AND FINANCING

7 The current projected capital programme and financing is shown elsewhere on this agenda (Paper E/793/23) and is summarised below. It includes current estimates for capital expenditure for 2022/23 and beyond.

8

	2022/23 Estimate £0m	**2023/24 Estimate £0m**	**2024/25 Estimate £0m**	**2025/26 Estimate £0m**	**2026/27 Estimate £0m**
Capital Expenditure	**16.519**	**6.837**	**1.703**	**1.621**	**0.660**
Financed By					
- Capital Receipts	3.751	1.845	0.400	0.350	0.150
- Revenue Contributions	0.000	0.000	0.000	0.000	0.000
- Asset Maintenance Reserves	1.017	0.992	1.303	1.271	0.511
- Short Term Borrowing	11.751	4.000	0.000	0.000	0.000
Total Financed	**16.519**	**6.837**	**1.703**	**1.611**	**0.660**

9 The Authority is able to finance capital expenditure from a number of different sources, described below.

Capital Receipts – monies received by the Authority in respect of the disposal of an interest in a capital asset. This can only be used to finance capital expenditure, or paying off debt, and cannot be used to fund revenue expenditure.

Revenue Contributions – the Authority is able to make contributions from its revenue budget to fund in-year capital expenditure. Currently, the Authority does not make any direct revenue contributions to capital.

Asset Maintenance Contributions – the Authority does however make contributions to its Major Repairs/Asset Management Reserve, to fund its Asset Maintenance programme. Generally this work is classified as repairs, rather than enhancement, but major works may be of a capital nature.

Short-term borrowing – under the Local Government Act 2003, the Authority, as a specified Levying Body, is able to borrow monies to fund its capital programme, either in short, or long-term. To date, the Authority has only entered into short-term borrowing; loans of up to two years, to fund Lee Valley Ice Centre Redevelopment project.

10 Appendix A to this report sets out the Capital Expenditure and Financing Prudential Indicators that require approval. Appendix E to this report sets out the description of what should be included as capital expenditure, and what is revenue.

MINIMUM REVENUE PROVISION

11 Each year the General Fund sets aside sums known as the Minimum Revenue Provision (MRP) to reduce its borrowing liabilities. The policy for MRP is set out in Appendix B to this report and complies with the latest guidance issued by the DLUHC.

12 Government guidance on the MRP requires that the General Fund set aside prudent sums to reduce debt and any other long term liabilities arising from capital spend and that the Authority produces a statement on its MRP policy. MRP costs fall on revenue budgets and runs on for many years into the future, usually over the period to which the capital item provides an economic benefit.

TREASURY MANAGEMENT

13 Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of resources can be met by prudential borrowing.

14 The Authority's Treasury Management Policy was approved in April 2021 (paper A/4297/22) and no amendments to that Policy are proposed.

ANNUAL INVESTMENT STRATEGY

15 The Local Government Act 2003 requires local authorities to have regard for the latest guidance on local authority investments, the latest update being 2018.

16 Central to the guidance is an Annual Investment Strategy that each authority must approve. Key to that strategy should be the principal for security, liquidity, and then yield.

17 The Annual Investment Strategy sets out the general policy objective for investments, the procedures for determining which investments in the specified

and non-specified categories the Authority will use in the forthcoming financial year, and the maximum periods for which funds may be committed in each asset class.

18 Attached at Appendix C to this report is the Annual Investment Strategy for 2023/24 for Member consideration and approval. Definitions for specified and non-specified investments are also set out in Appendix A to this report.

BORROWING STRATEGY

19 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

20 Appendix D to this report sets out the Authority's borrowing strategy 2023/24, in line with its current Treasury Management Policy.

KNOWLEDGE AND SKILLS

21 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

22 Where Authority staff do not have the knowledge and skills required, or where further support is needed, use is made of external advisors and consultants that are specialists in their field. The Authority currently employs Tullet Prebon as treasury management advisors.

23 The Authority also has a service level agreement with the London Borough of Enfield for provision of Section 151 services, and is able to utilise this knowledge and experience to assist with its own decisions.

ENVIRONMENTAL IMPLICATIONS

24 There are no environmental implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

25 These are dealt with within the body of the report.

HUMAN RESOURCE IMPLICATIONS

26 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

27 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

28 There are no risk management implications arising directly from the recommendations in this report. However, future capital expenditure and its

phasing may require additional support from borrowing as the level of cash receipts is dependent on future land sales that are yet to be fully determined in both terms of value and timing.

EQUALITY IMPLICATIONS

29 There are no equality implications arising directly from the recommendations in this report.

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BACKGROUND INFORMATION

None

PREVIOUS COMMITTEE REPORTS

Executive	E/765/22	Annual Report on Treasury Management Activity 2021/22	26 May 2022
Authority	A/4313/22	Proposed Capital Programme 2021/22 (Revised) to 2025/26	20 January 2022
Authority	A/4314/22	Capital Strategy 2021/22 to 2025/26	20 January 2022
Authority	A/4297/21	Treasury Management Policy	29 April 2021

APPENDICES ATTACHED

Appendix A	Prudential Indicators 2022/23 to 2026/27
Appendix B	Annual Minimum Revenue Provision Statement 2023/24
Appendix C	Annual Investment Strategy 2023/24
Appendix D	Borrowing Strategy 2023/24
Appendix E	Capital Expenditure

LIST OF ABBREVIATIONS

CFR	Capital Financing Requirement
PWLB	Public Works Loans Board
MRP	Minimum Revenue Provision
CIPFA	Chartered Institute for Public Finance and Accountancy
DLUHC	Department for Levelling Up, Housing and Communities

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Capital Expenditure and Financing
Prudential Indicators 2022-23 – 2026-27

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

Capital expenditure is the money the Authority spends on assets, such as equipment, property and vehicles, which will be used for more than one year. The Authority's capital development programme is geared to the management and development of its existing assets, legacy venues on its land and business development schemes to generate further income for the Regional Park. The capital programme reflects the Authority's key role as a development and enabling organisation and includes a number of projects which are crucial in achieving the objectives set out in the Strategic Business Plan.

The Authority's planned capital expenditure and financing may be summarised as follows. These estimates only include the capital expenditure that has been agreed by Members.

	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m	2026/27 Estimate £0m
Capital Expenditure	**16.519**	**6.837**	**1.703**	**1.621**	**0.660**
Financed By					
- Capital Receipts	3.751	1.845	0.400	0.350	0.150
- Revenue Contributions	0.000	0.000	0.000	0.000	0.000
- Asset Maintenance Reserves	1.017	0.992	1303	1.271	0.511
- Short Term Borrowing	11.751	4.000	0.000	0.000	0.000
Total Financed	**16.519**	**6.837**	**1.703**	**1.611**	**0.660**

Table 1 : Estimates of Capital Expenditure

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) is a measure of the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose, although this borrowing may not necessarily take place externally. The Authority has been able to make prudent use of cash that it has already invested for long-term purposes. In doing so, the level of funds we hold for longer-term investment does not reduce but we have been able to adopt an efficient and effective treasury management strategy. This practice, is known as 'internal borrowing', and is common in local authorities and means there is no immediate link between the need to borrow to pay for capital spending and the level of external borrowing.

The CFR increases with new debt-financed capital expenditure and reduces with Minimum Revenue Position (MRP) and any capital receipts used to replace debt. The CFR will increase in 2022/23 as the new Ice Centre becomes operational, with some additional borrowing required in 2023/24 as final payments in relation to construction costs and retention are made during the year.

The Authority's estimated CFR is as follows.

	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m	2025/26 Estimate £0m
Opening CFR	**11.206**	**30.756**	**33.824**	**32.819**	**31.831**
Long Term Borrowing	20.000	4.000	-	-	-
Minimum Revenue Provision	(0.450)	(0.932)	(1.005)	(0.988)	(0.973)
Closing CFR	**30.756**	**33.824**	**32.819**	**31.831**	**30.858**

Table 2 : Estimates of Capital Financing Requirement

Affordable Borrowing Limit

Irrespective of plans to borrow or not, the Authority is required to set an affordable borrowing limit (also known the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. There are currently plans to borrow long term only to fund the Ice Centre Development in 2022/23 and 2023/24, and whilst the actual borrowing amounts are subject to further Member approval, the limits are set to include the current budgeted amount less contingency.

In addition, the Authority should set its limit to include provision for additional borrowing that may be required to deliver the operational strategy as well as for capital development.

The limit reflects the possible need to borrow, subject to timing of capital receipts, to finance the capital programme. It also includes coverage of the internal borrowing level the Authority has adopted to fund past capital programme. It does not mean that the Authority will actually borrow, rather that it is authorised, subject to further Member approval, to borrow up to that limit.

	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m	2026/27 Estimate £0m
Operational Boundary	30.0	30.0	30.0	30.0	30.0
Authorised Limit	45.0	45.0	45.0	45.0	45.0

Table 3 : Authorised Limit and Operational Boundary for Borrowing

Ratio of Financing Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, the MRP, and if applicable, interest payable on loans are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount of revenue budget to be met from the Levy. For the purposes of this table, the Levy is assumed to increase to the level as set out in the Budget and Levy Paper (A/xxxx/23) and to then remain at the 2023/24 cash level.

Currently due to the accounting for Assets Under Construction, the Authority is not required to make a provision for the Ice Centre redevelopment until it becomes operational, so the financing costs for 2022/23 are made up of the existing MRP and investment interest received. The change in financing costs from 2023/24 is based on the Authority borrowing £20m in 2022/23 and a further £4m in 2023/24, with the costs being rolled up into the project and repayments commencing in 2023/24.

	2022/23 Estimate £0m	2023/24 Estimate £0m	2024/25 Estimate £0m	2025/26 Estimate £0m	2026/27 Estimate £0m
Financing Costs	0.420	1.872	1.945	1.905	1.865
Proportions of net revenue cost %	4.30%	17.58%	18.27%	17.89%	17.52%

Table 4 : Ratio of Financing Costs to Net Revenue Stream

Adoption of the CIPFA Treasury Management Code

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition. It fully complies with the Code's recommendations.

Annual Minimum Revenue Provision Statement 2023-24

The Minimum Revenue Provision (MRP) is a statutory requirement to make a charge against the Authority's General Fund to make provision for the repayment of the Authority's past capital debt. The Local Government Act 2003 requires local authorities to have regard to statutory guidance on Minimum Revenue Provision. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is commensurate with that over which the capital expenditure provides benefits.

The Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.

Capital Expenditure incurred before 1 April 2008

In relation to any capital expenditure incurred before 1 April 2008, the MRP shall be calculated at an amount equal to 4% of CFR at the end of the preceding financial year.

If the Authority refinanced existing internal borrowing with external loans, MRP should be commensurate with the term of the borrowing, and MRP charged appropriate to the principal loan repayment amount.

Capital Expenditure from 1 April 2008

Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset, and calculated on a straight line basis and should be linked to when the asset is brought into operational use. The maximum allowable asset life to be used in calculating MRP is 50 years.

Where and asset is financed by long-term borrowing, the useful life of the asset should ideally be commensurate with the term of the borrowing, and MRP charged appropriate to the principal loan repayment amount. Where there is not a direct relationship between financing and borrowing, the MRP should be calculated with reference to the asset life, rather than the borrowing term.

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Annual Investment Strategy 2023/24

This Authority has regard to the DLUHC's Guidance on Local Government Investments and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sector Guidance Notes.

This Annual Investment Strategy states which investments the Authority may use for the prudent management of its treasury balances during the financial year. In short these will only be specified investments.

This strategy sets out this Authority's policies for managing its investments and for giving priority to the security and liquidity of those investments.

Investment Objectives

All investments will be in sterling. The general objective, as set out in the Treasury Management Policy for this Authority, is the prudent investment of its treasury balances. The Authority's investment priorities are the security of capital and liquidity of its investments. The Authority will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

The Authority holds cash in the normal course of its business and any cash not immediately required for settling Authority liabilities should be invested until needed. Investments should be managed prudently and fall within two categories: specified investments and non-specified investments, as set out in government guidance. Specified investments are investments up to one year, as detailed below, with high liquidity and credit quality. Non-specified investments, as set out below, are investments that exceed one year and are potentially more responsive to liquidity, credit and market factors.

The DLUHC maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

Specified Investments

The idea of specified investments is to identify investments offering high security and high liquidity. These investments can be made with minimal procedural formalities. All these investments should be in sterling and normally with a maturity of no more than one year.

Non – Specified Investments

The aim is to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies which do not have a "high" credit rating. Such investments are not proposed for this Authority for 2023/24 and where such investments were to be made they would require the prior approval of Members.

Based upon its cash flow forecasts, the Authority anticipates its investment balances in 2023/24 to range between **£2m and £5m** at any one institute. This is in line with the current Treasury Management Policy. A prime consideration in the investment of fund balances is liquidity and the Authority's forecast cash flow.

Any in-house investment of more than one month needs the approval of the Chief Executive or Deputy Chief Executive.

Provisions for Credit – related losses

If any of the Authority's investments appeared at risk of loss due to default the Authority will make revenue provision of an appropriate amount.

End of year Investment Report

At the end of the financial year, the Head of Finance will prepare a report on the Authority's investment activity as part of its treasury management activity report and report this to Executive Committee by the end of June. The Annual Investment Strategy will need approval by Executive Committee.

Borrowing Strategy 2023/24

The Authority's debt management strategy has been to pursue a policy of internal borrowing, which is the use of existing reserves and balances to fund capital expenditure rather than the use of external borrowing.

The use of internal borrowing allows the Authority to minimise unnecessary external borrowing costs by only borrowing when needed for liquidity to fund the major redevelopment of the Ice Centre. Borrowing in advance of need from a cashflow perspective would create a 'cost of carry' which is the difference between the short term investment income earned through holding cash balances compared against longer term external debt financing costs of repayments.

The Authority currently only has short-term external borrowing, loans of up to 2 years, used to cash-flow finance the Ice Centre redevelopment. It has been free from long-term external debt since March 2016. When the Authority is in the position where it needs to borrow long-term, its main objectives would be to achieve low but a certain cost of finance, whilst retaining flexibility should plans change. These objectives are often conflicting, and the Authority would seek to strike a balance between short-term loans and long-term fixed rate loans where the future cost is known but higher.

Officers will monitor current and forecast interest rates to determine the benefits of internal/short-term borrowing against the potential for incurring additional costs by taking longer-term borrowing early, due to the current uncertainly of interest rates in the medium term.

The Authority would look to borrow in the short-term from other local authorities, or the Public Works Loans Board (PWLB), with the focus on obtaining the most favourable rates for the period of borrowing.

Longer term borrowing will likely be from the PWLB at fixed rates and interest.

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Capital Expenditure

Under standard accounting practices local authorities are required to account for revenue expenditure and capital expenditure differently. Capital expenditure is defined in the Local Government 2003 Act as expenditure which, in accordance with proper accounting practices, falls to be capitalised. Proper accounting practice is currently accepted to be the CIPFA/ LASAAC Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (known as the SORP).

Capital expenditure essentially relates to the provision and improvement of significant fixed assets including land, buildings and equipment which will be of use or benefit in providing services for more than one financial year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of buildings and other structures;
- Acquisition, installation or replacement of plant, machinery and vehicles;
- Replacement of a component of a non-current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset;
- Increase substantially the extent to which the asset can or will be used for the purposes of the Authority.

The Authority can also capitalises Project Management costs where this is directly linked to the delivery of a major project included within the Capital Programme.

Revenue expenditure is expenditure incurred for the purpose of the organisation's daily activity, services or to maintain fixed assets. For example, employees' pay, travel expenses and IT consumables are all deemed to be revenue expenditure.

However, it is often quite difficult to easily distinguish between capital and revenue expenditure so consideration needs to be given to the nature of the expenditure in order to identify what should be classed as capital and what is revenue.

Capital and Revenue Examples

There is no definitive list of items which are revenue and which are capital. All decisions on capitalisation must be made with due regard to legislation, guidance and the individual circumstances of a capital project.

Below is a list of examples for expenditure that falls into each category. This is not intended to be an exhaustive list but should for a guide.

Capital Items

- Land Purchases
- Construction Payments
- Professional fees related to capital projects
- Development costs
- Vehicles
- Major items of Equipment
- Feasibility costs that relate to successful schemes

Revenue Items

- Repair and Maintenance
- General Tools / Equipment
- Stock
- Security Costs
- Rental Costs
- Employee costs, unless directly involved in construction of delivery of projects
- Travel Expenses
- Training
- Abortive feasibility costs
- Costs of Disposal - up to 4% of the proceeds may be netted off the capital receipt;

Expenditure from the Asset Maintenance programme will normally be classed as revenue, as it usually forms repairs or maintenance expenditure. For example, expenditure that simply ensures an asset remains in a condition suitable for its current use would still be classed as revenue. However, some items of asset maintenance expenditure may fall more correctly as expenditure that can be capitalised, and large expenditure items should be reviewed.

De-minimus

Capital expenditure is subject to a de-minimis level of £20,000. Expenditure below this level should usually be classed as revenue. However the limit may be used flexibly as it may be appropriate to add items such as vehicles or equipment of a lower value to the asset register.

In the cases where groups of similar assets are acquired at the same time, which individually would fall under the de-minimus level, can be grouped together to form a collective asset. An example of this would be IT equipment.

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Lee Valley Regional Park Authority **LEE VALLEY REGIONAL PARK AUTHORITY** **EXECUTIVE COMMITTEE** **19 JANUARY 2023 AT 10:30**	**Agenda Item No:** **8** **Report No:** **E/796/23**

PROPOSED CAPITAL INVESTMENT AT LEE VALLEY ATHLETICS CENTRE AND LEE VALLEY RIDING CENTRE

Presented by Corporate Director

EXECUTIVE SUMMARY

This paper provides Members with the background and specific information on the new Leisure Service Contract proposed first phase of investments at both Lee Valley Athletics Centre and Lee Valley Riding Centre.

As part of the Leisure Services Contract procurement process the Authority committed to continually invest in its world class venues, encouraging bidders to propose innovative investment solutions over the initial 10 year contract duration.

Authority officers have been working with its Leisure Services Contract operator, Greenwich Leisure Ltd (GLL) since the contract commencement on the first phase of investments. These investments have undergone a rigorous process of due diligence to ensure these proposals meet with the priority outcomes as set out within the Leisure Services Contract:

- deliver a sustainable partnership with a forward thinking, adaptable Contractor;
- ensure the long term viability of all six facilities;
- reduce reliance on the levy and tax payers within the Lee Valley region; and
- fulfil the requirements of the Authority's Strategic Aims.

It is proposed that subject to consideration and approval of the recommendation in the Part 2 paper (Paper E/797/23) Members consider the Authority making a financial capital commitment into two projects totalling £636,780 for improvements to the Health and Fitness facilities at Lee Valley Athletics Centre (£573,484) and a mechanical horse installation at Lee Valley Riding Centre (£63,296) the details of which are set out in this report.

RECOMMENDATIONS

Members Approve:	(1)	subject to consideration and approval of the recommendation in the Part 2 paper E/797/23 the inclusion within the capital programme of £573,484 for improvements to the Heath & Fitness facilities at Lee Valley Athletics Centre;

and

(2) subject to consideration and approval of the recommendation in the Part 2 paper E/797/23 the inclusion within the capital programme of £63,296 for a stable refurbishment and installation of a mechanical horse at Lee Valley Riding Centre.

BACKGROUND – LEE VALLEY ATHLETICS CENTRE (LVAC)

1 During the Leisure Services Contract (LSC) procurement, the Authority committed to invest into the venues in partnership with the eventual operator to maintain their world class status, their relevance and to continually improve the Management Fee position. Since commencement of the LSC GLL have worked with Authority officers on the first phase of investment projects.

2 When LVAC was opened in January 2007, it originally had one dedicated gym area, which was fitted out to the English Institute of Sports specification, built around performance training needs of the British elite teams. The majority of the original equipment is still in use, with just some minor replacements of loose equipment having taken place.

3 In 2015, the then operator (Lee Valley Leisure Trust Ltd) in partnership with the Authority created a second dedicated fitness area (Cross Fit Box) situated besides the Indoor Throws Area, that was subsequently leased to a third party Cross Fit operator and fitted out to their specification. Due to below expected membership the Cross Fit operator withdrew in 2018 and handed the leased area back.

4 In 2018 this second gym area was launched as an additional training area for use of members and customers using the equipment originally provided for the Cross Fit Box, meaning both LVAC gym areas were focussed on functional performance, strength and conditioning type training.

5 During this time an external gym management company (Challenge Central) was brought in to oversee the Health & Fitness offer at the venue. At the time of handover to GLL (April 2022) Challenge Central's contract had ended and management of all the Health & Fitness facilities and services were solely controlled by GLL as venue operator, which is consistent with GLL's general practices.

6 Gym membership peaked in 2019 at 330 members, mostly made up of multisport athletes from grass roots to elite and those focussed on functional goals rather than general health and aesthetic goals.

7 Since reopening post Covid gym membership has hovered around 250 and currently sits at 262 members. Targeted growth for the membership based on the gym in its current condition was to achieve 350 members, which given its dated equipment and disjointed offer was always going to be difficult.

8 As well as the two dedicated health and fitness areas there are separate pieces of mid-range cardio equipment along the north of the venue. This does add to the offer, but its location creates another disjointed area, and it has not positively contributed to the attractiveness of the current health and fitness offer at the

venue.

OUTLINE OF THE IMPROVEMENTS

9 The first investment project proposed is the refurbishment of the Health and Fitness areas at LVAC. GLL submitted their proposal and Authority officers have worked through the rationale and project specifics. The Authority has also had the figures and assumptions independently checked by external consultancy firm In Partnership With (IPW) to ascertain the robustness of the numbers and to look at how the market analysis and latent demand information feeds into the projected membership targets. IPW's feedback has been very positive in regards to the viability of the investment proposed as below.

10 **Refurbish strength and conditioning (S&C) / performance gym and update equipment**

- Refurbish existing Racks, lifting platforms and utilise majority of existing dumbbells, bumper plates, barbells, speciality bars and kettlebells
- Replace outdated and end of life equipment – replacing with updated equipment to add to strength and conditioning / performance reputation of gym
- Update flooring
- Decoration of Walls, Skirting and Ceiling
- Upgrade lighting to LED with daylight harvesting and sensors
- Update sound system and install sound absorption boards
- Branding – Gym 2.0 (GLL's new Gym model)

11 **Refurbish and remodel previous Cross Fit Box area to softer, broader appeal Gym 2.0 offer centred around cardio equipment and lighter weights and resistance machines**

- Remove central rig
- Retain existing resistant equipment and install new CV and resistance machines
- Change flooring to Kamdean Limited Oak
- Install 43mm Weight layer (including stumble edge) tiled area for Dumbbell work area
- Decorate walls
- Supply and install 1 x set double doors
- Branding – Gym 2.0.

12 **To provide a formalised flexible studio space which will also be utilised as a functions and meeting space**

- Strip out and decoration
- Strip out carpet and install Junkers 2 strip beech 14mmx129mm solid hardwood flooring matt lacquer finish
- Supply studio and functional equipment
- Install LED lighting and sensors
- Install air conditioning evaporators and condensers
- Install sound system and speakers

13 **To modernise the changing rooms to improve customer experience and support growth**

- Replace benching and cubicles
- Tiling of walls to 1.2m
- Install LED lighting and sensors

- Install vanity units
- General decoration
- Update disabled shower seat and fittings
- Update the showerheads that currently run at around 15-18 litres per minute. The Chalis units proposed run at 6 litres per minute
- The proposed units do not require electricity

14 **To modernise the reception area and move to concierge environment with full access control**
- Remove existing reception desk and install 2 x concierge pods
- To install speed lanes and glass screening to 1.5m height
- To vinyl wrap existing office situated behind current reception desk

Please see **Appendix A** for further plans and visuals

FINANCIAL

15 As per the LSC agreement, the Authority will provide the capital investment for the project to GLL and can chose to either deliver the project directly or to require GLL to deliver the project under the LSC. Given LVAC is under a full repairing lease and the works are largely refurbishments it is recommended that GLL manage the refurbishment and purchasing of equipment, but the Authority signs off all drawings and the works before any orders are placed. The new facilities will be owned by the Authority, and GLL will have no right to remove the facilities at the end of the contract (or if the venue is removed from the LSC and GLL cease to be the operator for the venue sooner).

16 Total capital required **£573,484** broken down as follows;

Description	**Cost (Gross)**
Studio Equipment	£38,758
In centre 2.0 branding inc installation	£8,333
Gym equipment	£124,497
Access control supply and install	£74,325
Gym / Studio / Meeting Room building works	£157,786
Changing Room refurbishment works	£81,903
Reception remodel / Concierge Pod works	£30,867
Prelims	£15,416
Contingency	£14,290
Sub Total	**£546,175**
Project Management Charge (5%)	£27,309
TOTAL	**£573,484**

17 The Authority will receive a benefit from the proposed investments that significantly exceeds the capital investment. Please see Part 2 Paper E/797/23 for further details on the financial implications of the project.

18 The return to the Authority is calculated based on the business plan financial forecast and will be a fixed adjustment but profiled across the contract in line with Profit & Loss expectations.

19 The venues membership base is proposed to increase by 175 members in year 1 above current target of 350 and is estimated will grow to 986 members in total at maturity by year 5. GLL have significant experience in this area given its operating history and size. The payments to the Authority are guaranteed.

PROJECT TIMELINE

20 The aim is to have the project completed and fully operational by the start of April 2023.

The proposed project is scheduled for a 12 week completion timetable and will be undertaken in phases to minimise disruption to the customers and allow for completion of works in stages. The Authority have stipulated that no loss of revenue will be granted for this project and that works need to be managed to ensure there is a continuity of service for the venues users and no negative impact on the Leisure Operator's Base Trading Account (LOBTA).

21 If Members approve the recommendations of this report a project team will be formed consisting of key Authority and GLL officers from:

- Facility Management;
- Operations;
- Product Development; and
- Marketing.

This project team will ensure there is full agreement on proposed timescales and GANTT responsibility areas and set milestones. All drawings, decisions, sign off etc associated with the project will be made by the Corporate Director.

BACKGROUND – LEE VALLEY RIDING CENTRE (LVRC)

22 LVRC is accredited as "Highly Commended" by the British Horse Society (BHS) as a riding school, livery yard and examination / training centre. The venue is affiliated to The Pony Club and hosts British Universities and Colleges Sport (BUCS) training and competitions. Career students are taken on as apprentices and study for NVQs and British Horse Society riding instructor qualifications while they work.

23 The venue is successful but suffers from the impact of the weather on activities during the winter months and the amount of hours each horse is allowed to be used for. The programme is currently delivered on two outdoor and one indoor menages. This results in LVRC traditionally losing two thirds of its programme capacity for periods of time between December to March in prolonged wet and frosty conditions.

24 The new product being proposed offers a revolutionary way to focus on skills and balance by viewing immediate visual feedback on seat position and riding movements. It is used worldwide by professionals and amateur riders as an essential aid to training.

OUTLINE OF THE IMPROVEMENTS

25 There are 12 Riding Centres in London, with only one that has a Mechanical Horse. This Centre is Wimbledon Village Stables, SW19. This centre is 18 miles

from LVRC and is therefore not considered as direct competition. As part of the market research into customer demand for this product and experience the manager of the Wimbledon Riding Centre was consulted.

26 **Outline of the investment / scheme / scope of works**

- Refurbish existing stable to make fit for purpose
- To install a manually operated galvanised roller shutter
- Prepare and paint all walls, flooring and wooden beams
- Upgrade lighting to LED with separate electrical circuit
- Installation of Mechanical Horse with fully Interactive Dressage Simulator

Please see **Appendix B** to this report for venue plan and proposed location.

27 The proposed product is the Racewood Dressage Simulator, which can be run all day, whatever the weather, allowing the venue to offer riding lessons and therapies round the clock, in a safe and controlled environment.

28 The Mechanical Horse Dressage Simulator has been designed by the manufacturer working in direct partnership with Riding for the Disabled Association (RDA) in the UK. Riders can explore over 4,000 acres of land, ranging from a stroll through a village, a hack through the woods or a ride on the beach. Interactive features allow the rider to engage with the environment e.g. posting a letter, collecting eggs, visit the farmyard. The software keeps track of how far each rider has travelled, the locations they have visited and the things they have seen. It also has the option to provide a printed certificate.

29 The proposed investment will enable a diverse range of people, of all ages and ability, the opportunity to ride and improve their riding skills and techniques. 7% of the current venue customer base has a registered disability.

30 The simulator will be part of the formalised and structured lesson and course programme and this will be an additional complementary developmental product for all level of riders in the programme from Beginners to Novice to Intermediate to Advance.

31 The Horse Simulator has an operation life of 15 years and maintenance will be the responsibility of GLL for the duration of the LSC.

FINANCIAL

32 As per the LSC agreement, the Authority will provide capital investment for the project to GLL and can choose to either deliver the project directly or require GLL to deliver the project under the LSC. Given LVRC is under a full repairing Lease and the works are largely refurbishments its recommended that GLL manage the refurbishment and purchasing of equipment, but the Authority signs off all drawings and the works before any orders are placed. The new facilities will be owned by the Authority and GLL will have no right to remove the facilities at the end of the contract (or if the venue is removed from the LSC and GLL cease to be the operator for the venue sooner).

33 Total capital required **£63,296** broken down as follows.

Description	Cost (Gross)
Dressage + RDA Simulator (inc. Installation)	£50,000
Stable – (Spec as per quote below)	£5,570
Saddle for the simulator	£3,442
Electrical work	£649
Contingency	£622
Sub Total	**£60,283**
Project management charge (5%)	£3,013
Total	**£63,296**

34 The Authority will receive a benefit from the proposed investments that significantly exceeds the capital investment. Please see Part 2 Paper E/797/23 for further details on the financial implications of the project.

PROJECT TIMELINE

35 The Mechanical Horse is manufactured at the point of ordering and has a 6 month lead time for delivery. Stable renovations will be completed within a 6 week period.

36 If Members approve the recommendations of this report a project team will be formed consisting of the key Authority and GLL officers from:

- Facility Management;
- Operations;
- Product Development; and
- Marketing.

This project team will ensure there is full agreement on proposed timescales and GANTT responsibility areas and set milestones. All drawings, decisions, sign off etc associated with the project will be made by the Corporate Director.

ENVIRONMENTAL IMPLICATIONS

37 There are no environmental implications arising directly from the recommendations in this report other than all light fittings being installed will be LED's and will contribute to the ongoing invest to save projects relating to the LSC venues.

FINANCIAL IMPLICATIONS

38 The financial implications of these projects are covered in Part 2 Paper E/797/23.

HUMAN RESOURCE IMPLICATIONS

39 Authority officers will be required to sit on the project team for both projects and Authority sign-off of any decision will be required by the Authority's Representative as per the LSC.

LEGAL IMPLICATIONS

40 These investment projects will be subject to Schedule 21 of the LSC Control Change Protocol and this will allow the agreed financial arrangements to be formally documented. The Authority will also need to grant its consent to internal alterations under the leases.

RISK MANAGEMENT IMPLICATIONS

41 There are no risk management implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

42 There are no equality implications arising directly from the recommendations in this report.

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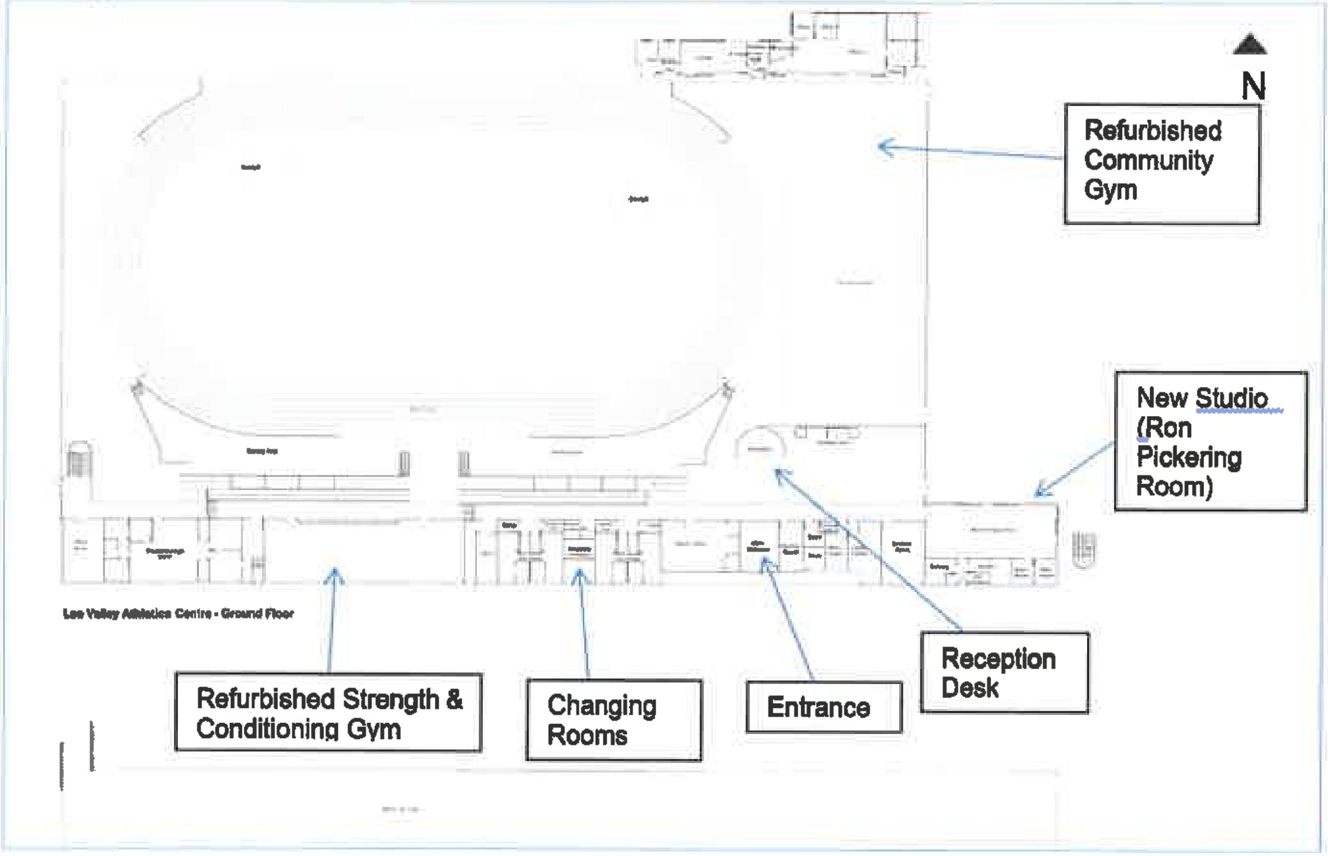
APPENDICES ATTACHED

Appendix A	LVAC Plans
Appendix B	LVRC Plans

LIST OF ABBREVIATIONS

the Authority	Lee Valley Regional Park Authority
GLL	Greenwich Leisure Limited
Leisure Services Contract (LSC)	Leisure Operating Contract between the Lee Valley Regional Park Authority and Greenwich Leisure Limited dated 31 March 2022
LOBTA	Leisure Operator's Base Trading Account, the financial model agreed to in the LSC
LVAC	Lee Valley Athletics Centre
LVRC	Lee Valley Riding Centre
LSC	Leisure Services Contract
BHS	British Horse Society

Lee Valley Athletics Centre
Venue plan:

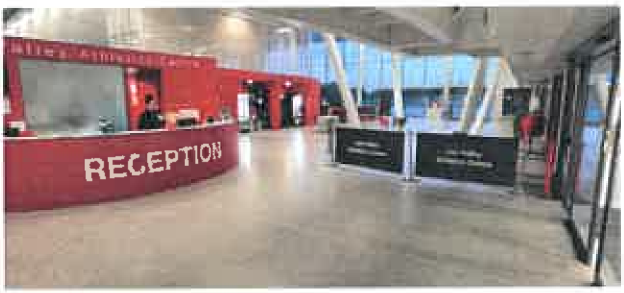


Current Strength and Conditioning Suite

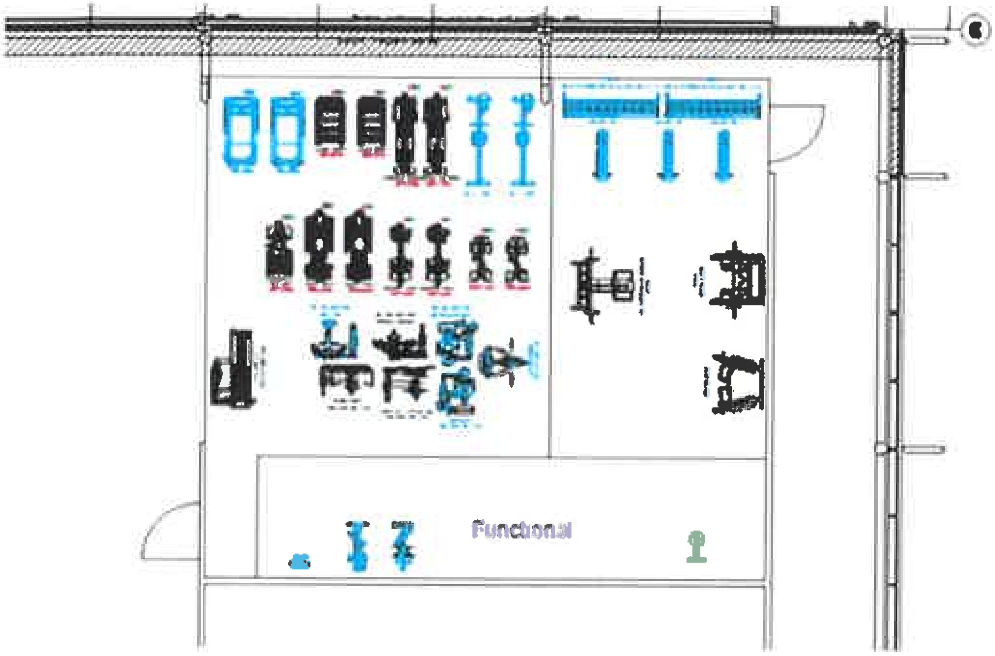
Current Community Gym Area

Current Changing Rooms

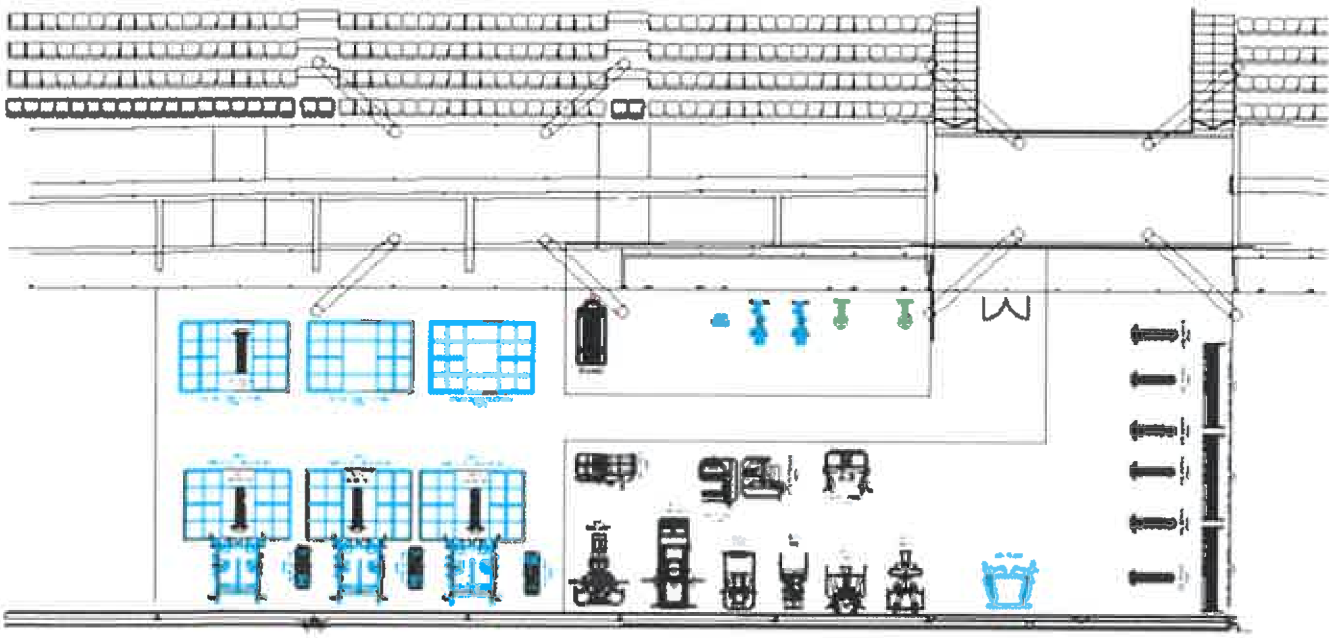
Current Reception and Entrance



Proposed Gym Area Layout:
Community Gym



Strength & Conditioning Gym



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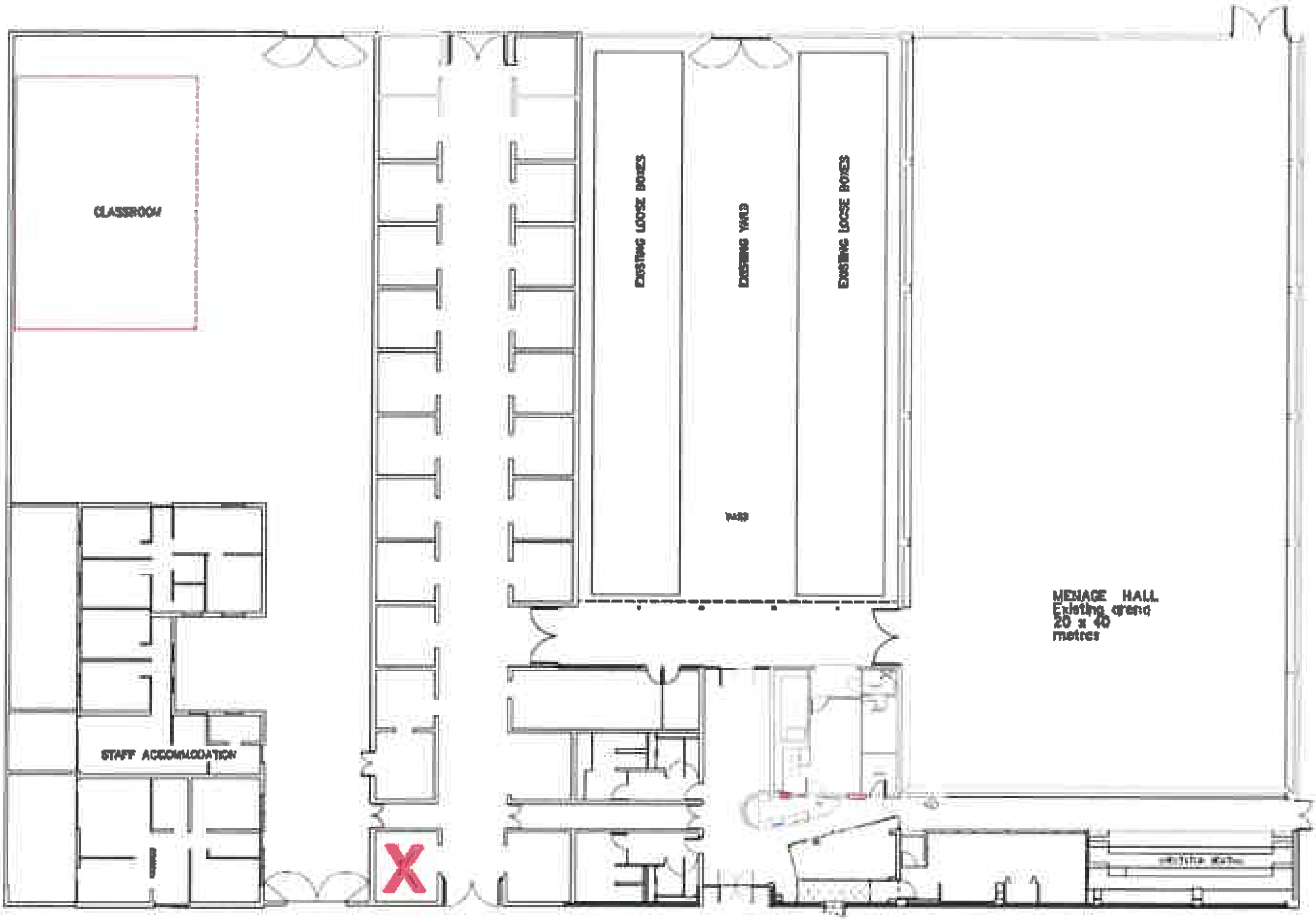
Lee Valley Riding Centre
Venue Plan and stable location:

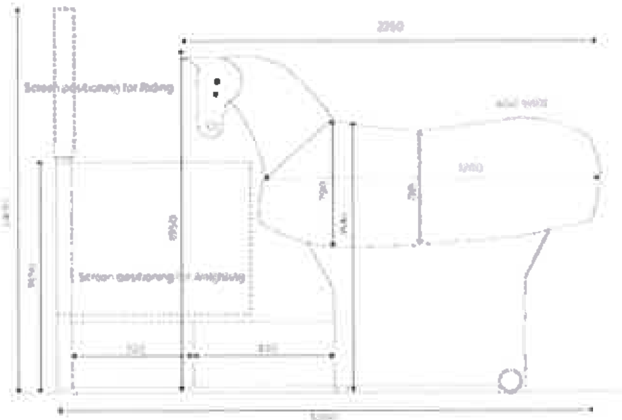


Current stable

Simulator details

Standard features

Our most popular simulator; with the addition of RDA software offering a number of different interactive and engaging environments to ride around . Accommodating riders of all levels. Practise advanced dressage movements such as: Piaffe, Passage and Half Pass along with arena work and test practice. Focus on interaction, skills and balance by viewing immediate visual feedback on seat position, rein pressure and riding movements. TV, mounting block, bridle and reins included as standard.



Dimensions (mm)